Transportation

Annual Report
2015-16

Alberta
Government

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Note to Readers:
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www.transportation.alberta.ca

For information about weather and road conditions on Alberta's highway network, please contact:

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Transportation

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 20 ministries.

The annual report of the Government of Alberta contains Ministers' accountability statements, the consolidated financial statements of the province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Transportation contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. The Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Transportation, and the Alberta Transportation Safety Board for which the Minister is responsible; and**
- **other financial information as required by the *Financial Administration Act* and *Fiscal Planning and Transparency Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2016, was prepared under my direction in accordance with the *Fiscal Planning and Transparency Act* and the government's accounting policies. All of the government's policy decisions as at June 6, 2016 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by]

Honourable Brian Mason
Minister of Transportation

Message from the Minister

Alberta Transportation is responsible for providing a safe, integrated, innovative and sustainable transportation system that supports Alberta's economy and quality of life. Our Ministry continues to maintain and enhance our provincial highways and support public transportation initiatives in both urban and rural areas to better serve Albertans.

The following report outlines results achieved by the Department of Transportation in the 2015-16 fiscal year. Our top priorities included building major highway projects to ensure the safe and efficient movement of people and goods around the province, and promoting transportation safety and reliability in Alberta through education, legislation and community outreach. We are also committed to supporting accessible and affordable public transportation, and providing grants to municipalities for critical water and wastewater projects and local transportation infrastructure. The Ministry continues to consult with stakeholders and engage with the public on important transportation issues and initiatives, such as grant funding, legislation and public transit.

A well-integrated multi-modal transportation system is essential in supporting our province's economy and growing population. Alberta Transportation will continue to develop and maintain a safe, sustainable and effective provincial transportation network to support a resilient, diversified economy now and in the future.

[Original signed by]

Honourable Brian Mason
Minister of Transportation

Management's Responsibility for Reporting

The Ministry of Transportation includes the Department of Transportation and the Alberta Transportation Safety Board.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Transportation. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandability – the performance measure methodologies and results are presented clearly.
- Comparability – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – goals, performance measures and related targets match those included in the Ministry's Budget 2015.

As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under Ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance, and the Minister of Transportation information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Fiscal Planning and Transparency Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

[Original signed by]

Dr. Greg Bass
Deputy Minister of Transportation
June 6, 2016

RESULTS ANALYSIS

2015-16 TRANSPORTATION ANNUAL

MINISTRY OVERVIEW

Mandate

Transportation is responsible for providing a safe, integrated, innovative and sustainable multi-modal transportation system that supports a strong economy, a high quality of life and a healthy environment for all Albertans.

Alberta's transportation system is intended to support:

- **Economy:** connects Albertans to worldwide markets and enables investment, business, industry, agriculture, tourism and job creation;
- **Society:** promotes transportation options to meet the needs of Albertans and the growing population to connect Albertans to their friends, family, work, schools, health care, recreation and communities throughout the province, and promote safer road users, vehicles and infrastructure;
- **Environment:** supports quality of life in our communities to promote ways to reduce transportation's impact on land, water and air; and
- **Fiscal Framework:** promotes efficiency and affordability.

Key Responsibilities

The Ministry consists of the Department of Transportation and the Alberta Transportation Safety Board which is an independent, quasi-judicial body. The key responsibilities of the department are:

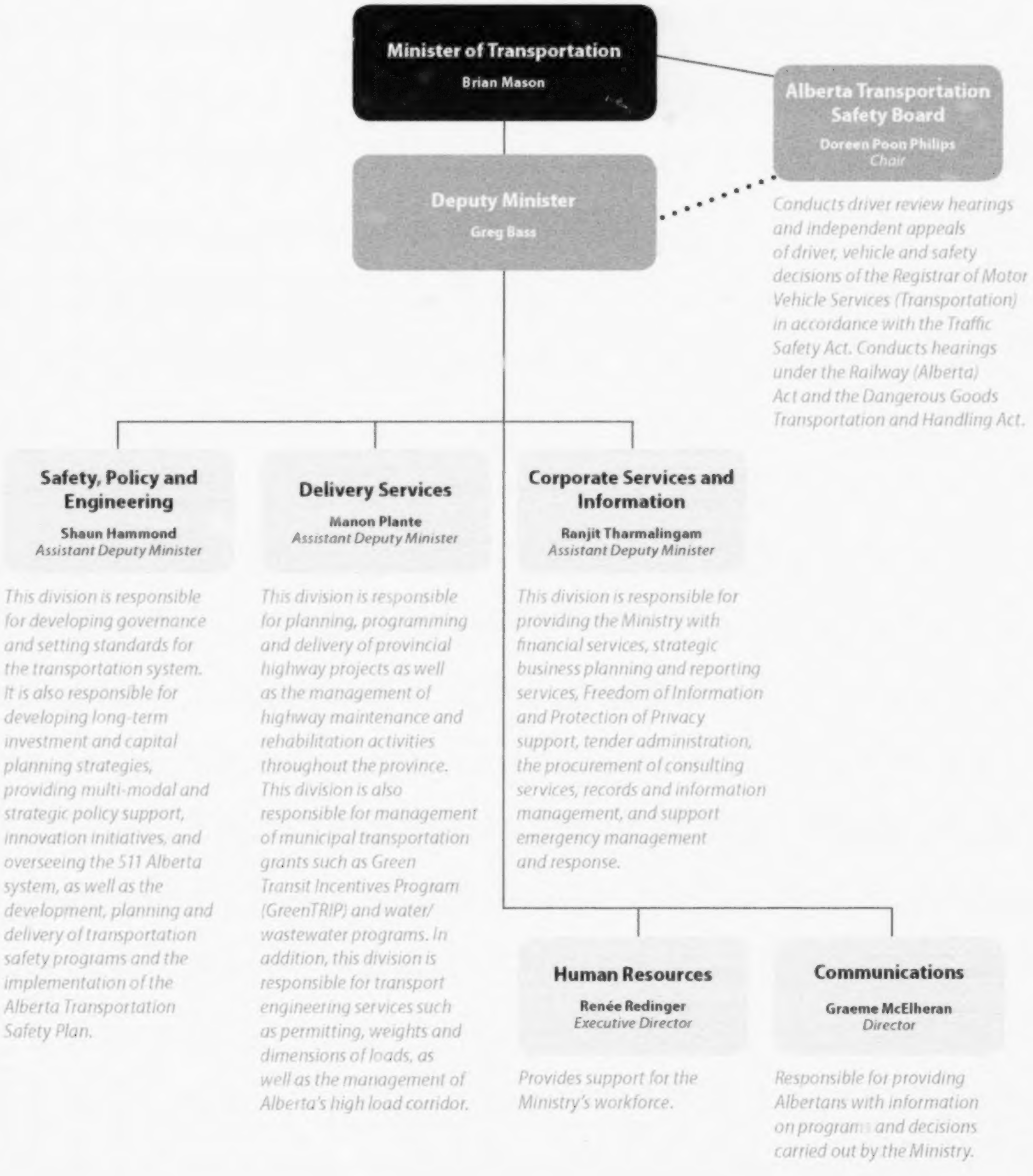
- Lead the development of a well-integrated multi-modal (road-rail-air-port-active-public transit) transportation system for Alberta.
- Lead the planning, construction, operation and preservation of our provincial highway network to connect Alberta's communities, and to support a sustainable and diversified economy and social growth for the province.
- Develop and implement the Alberta Transportation Safety Plan and operate the Office of Traffic Safety to reduce collisions and promote safer road users, vehicles and infrastructure.
- Manage grant programs to help municipalities develop and preserve their transportation systems, including transit and other priority infrastructure for Albertans.
- Design, construct and maintain Alberta's water management infrastructure on behalf of Environment and Parks.
- Promote Alberta's interests in a safe, innovative and sustainable transportation system at all levels of government, and in national and international trade agreements and regulatory harmonization initiatives.
- Support the development of public transit systems in municipalities and across regions to provide Albertans with more transportation options.

The Alberta Transportation Safety Board's key responsibilities are to:

- Conduct driver review hearings and independent appeals of driver, vehicle and safety decisions from the Registrar of Motor Vehicle Services in accordance with the principles of natural justice.
- Conduct hearings under the *Railway (Alberta) Act* and the *Dangerous Goods Transportation and Handling Act*.

All decisions of the Alberta Transportation Safety Board are made independently in accordance with governing legislation: the *Traffic Safety Act*, the *Railway (Alberta) Act* and the *Dangerous Goods Transportation and Handling Act*.

Organizational Overview



Minister of Transportation
Brian Mason

Alberta Transportation Safety Board
Doreen Poon Philips
Chair

Conducts driver review hearings and independent appeals of driver, vehicle and safety decisions of the Registrar of Motor Vehicle Services (Transportation) in accordance with the Traffic Safety Act. Conducts hearings under the Railway (Alberta) Act and the Dangerous Goods Transportation and Handling Act.

Deputy Minister
Greg Bass

Safety, Policy and Engineering
Shaun Hammond
Assistant Deputy Minister

This division is responsible for developing governance and setting standards for the transportation system. It is also responsible for developing long-term investment and capital planning strategies, providing multi-modal and strategic policy support, innovation initiatives, and overseeing the 511 Alberta system, as well as the development, planning and delivery of transportation safety programs and the implementation of the Alberta Transportation Safety Plan.

Delivery Services
Manon Plante
Assistant Deputy Minister

This division is responsible for planning, programming and delivery of provincial highway projects as well as the management of highway maintenance and rehabilitation activities throughout the province. This division is also responsible for management of municipal transportation grants such as Green Transit Incentives Program (GreenTRIP) and water/wastewater programs. In addition, this division is responsible for transport engineering services such as permitting, weights and dimensions of loads, as well as the management of Alberta's high load corridor.

Corporate Services and Information
Ranjit Tharmalingam
Assistant Deputy Minister

This division is responsible for providing the Ministry with financial services, strategic business planning and reporting services, Freedom of Information and Protection of Privacy support, tender administration, the procurement of consulting services, records and information management, and support emergency management and response.

Human Resources
Renée Redinger
Executive Director

Provides support for the Ministry's workforce.

Communications
Graeme McElheran
Director

Responsible for providing Albertans with information on programs and decisions carried out by the Ministry.

PERFORMANCE MEASURES SUMMARY TABLE

Desired Outcomes and Performance Measures			Prior Years' Results				Target	Current Actual
			2011-12	2012-13	2013-14	2014-15	2015-16	2015-16
Desired Outcome One:	*A well-integrated, multi-modal transportation system that connects communities and supports a diversified and value-added economy*							
Performance Measure 1.a	Highway 63 twinning between Grassland and Fort McMurray: Percentage of twinned highway kilometres open to travel		6.4%	22.0%	22.0%	22.0%	67.0%	99.0%
Performance Measure 1.b	Ring roads in Edmonton and Calgary: Percentage of combined ring road kilometres open to travel		70.5%	70.5%	80.6%	80.6%	80.6%	80.6%
Desired Outcome Two:	*Long-term sustainability and affordability of Alberta's transportation system*							
Performance Measure 2.a	Physical condition of provincial highway surfaces	Good	58.6%	58.4%	57.8%	56.4%	55.5%	56.5%
		Fair	26.8%	26.4%	27.1%	27.5%	28.0%	27.0%
		Poor	14.6%	15.2%	15.1%	16.1%	16.5%	16.5%
Desired Outcome Three:	*A transportation system that supports environmental stewardship and the quality of life for all communities*							
Performance Measure 3.a	Client Satisfaction Survey: Percentage of municipal clients satisfied with overall quality of service (biennial survey)*		N/A	93.0%	N/A	93.0%	N/A	N/A
Desired Outcome Four:	*A safe and secure transportation system that protects Albertans*							
Performance Measure 4.a	Combined fatal and major injury collision rate per 100,000 population		70.5	68.6	66.6	66.6	63.0	65.9

For more detailed information see Performance Measure Methodology section on pages 33 to 34.

*The Client Satisfaction Survey is completed every two years and measures the satisfaction of municipal partners with the Ministry's service for grant programs.

DISCUSSION AND ANALYSIS OF RESULTS

Desired Outcome One: *A well-integrated, multi-modal transportation system that connects communities and supports a diversified and value-added economy*

Alberta's economic growth and increasing population call for a transportation network that connects people, places and products both in and beyond Alberta. The network must facilitate competitiveness and enable connected communities, enhancing Albertans' quality of life.

Create and implement a transportation strategy to develop a multi-modal system that will support a high quality of life, strong economy and a healthy environment for all Albertans to meet growing urban, rural and regional transportation needs

Work continues to advance the long-term, multi-modal Transportation Strategy for Alberta. A progressive strategy is needed to help integrate all modes within the transportation system to support a high quality of life for Albertans and help secure our province's economic future. In 2015-16, development of draft implementation plans began which outline specific actions to achieve the Strategy's draft goals. These implementation plans encompass multi-modal planning, access to market, environmental stewardship, innovation, financing and funding, and asset management. The new Transportation Safety Plan 2020 and a provincial transit strategy will also serve as implementation plans, informing the overall Strategy. Preparation of a corresponding draft Strategy Action Plan has begun which reflects each implementation plan.

The completion and implementation of the Strategy will provide greater awareness about the transportation trends, challenges, opportunities and innovative technologies that factor in to ensuring people and products can travel seamlessly across all modes. The Strategy also provides a mechanism for increased collaboration between ministries, all orders of government, industry and other transportation partners to achieve efficiencies and the long-term sustainability of Alberta's transportation system. Continued collaboration of cross-ministry representatives during development of the Strategy has identified the challenge of balancing competing priorities of ministries and the necessity for transparency in planning and collaboration. For example, the Strategy will reflect the importance of coordination around transportation and land-use planning. Cross-ministry collaboration that has taken place during the fiscal year has also ensured the Strategy and its draft actions are aligned with other Government of Alberta initiatives, such as the Climate Leadership Plan. Transportation will continue to incorporate government direction and conduct additional engagement with transportation partners toward finalization of the Strategy.

Complete the twinning of Highway 63 between Grassland and Fort McMurray to improve safety for travellers and accommodate economic activity

In 2015-16, Transportation invested $239 million in the Highway 63 twinning project bringing the total Government of Alberta investment to $1.2 billion. The completion of this project will improve driver safety on this corridor by reducing the potential for head-on collisions, providing safer passing opportunities, improving overall service levels, better accommodating wide loads, and reducing delays and traffic congestion.

At the end of the 2015 construction season, 237 kilometres of the overall 240 kilometre Highway 63 twinning project was complete and open to the public. The construction planned for 2015-16 was completed ahead of schedule. The remaining three kilometres of twinning on Highway 63 was south of Horse Creek. Highway 63 to Fort McMurray was completed as of date of publication to facilitate the re-entry after wildfires. Six projects totalling approximately 150 kilometres were completed in 2015-16 as follows:

- 24.75 kilometres (grading, base and paving) completed south of Marianna Lake to north of Marianna Lake;
- 31.69 kilometres (grading, base and paving) south of Horse River and south of Marianna Lake;
- 12.52 kilometres (grading, base and paving) north of the Highway 55 junction to south of the La Biche River;
- 28.38 kilometres (base and paving) south of Wandering River to north of Wandering River;
- 20.46 kilometres (base and paving) north of Highway 55 to south of Wandering River (South of the La Biche River to south of Wandering River); and
- 32 kilometres (base and paving) north of Marianna Lake to south of Horse Creek.

Continue construction on the Edmonton and Calgary ring roads

Construction of the Edmonton and Calgary ring roads continues to be a priority for Transportation as an investment in the long-term safe and efficient movement of travellers across Alberta's highway network. This work enhances Alberta's strategic routes and maximizes economic opportunities. The development of the ring roads around Edmonton and Calgary accommodates traffic growth in the two major metropolitan areas and enables economic activity, supporting improved access to local and global markets, and efficient traffic flow across the regions and the province. While serving to better connect Alberta communities with one another, the ring roads are a critical element in supporting Alberta's economic competitiveness, which helps the well-being of all Albertans. These highways are part of the corridor that connects Alberta with the United States at Coutts, extending to the British Columbia border west of Grande Prairie and providing access to the Alaska Highway. The Calgary Ring Road also makes an important link with the East-West Trade Corridor.

The connections created with the construction of both the Edmonton and Calgary ring roads make a difference in the daily lives and commutes of the many people who work and travel within the province's two major urban centres by reducing traffic congestion. They are also essential to the development of a well-integrated, multi-modal transportation system that supports a diversified economy. Both cities function as major markets and multi-modal hubs, facilitating industry access to major highways, rail lines, two international airports and ultimately coastal ports and connecting Albertans to provincial and national highways.

Edmonton Ring Road

As of March 31, 2016, with the southwest, southeast and northwest sections of the Edmonton Ring Road (Anthony Henday Drive) already completed, $367.1 million was contributed in 2015-16 primarily for the Northwest Anthony Henday project. Once the total project is completed, Transportation will have invested a total of $1.81 billion for the construction of Northeast Anthony Henday Drive, which includes $37 million in federal funding.

Calgary Ring Road

Completing the full 100 kilometres of the Calgary Ring Road is a priority for Transportation and is an investment in the long-term sustainability of the provincial highway network. Once completed, the Calgary Ring Road will ensure the safe, efficient movement of industry and passenger vehicles across the southern region and the province, while reducing traffic congestion in and around Calgary. Transportation invested $368.8 million in 2015-16 to support the South West Calgary Ring Road project. Overall, the Calgary Ring Road was 70 per cent complete as of March 31, 2016.

Securing land is an essential element toward the progress of major transportation projects such as the ring roads. An agreement between the Government of Alberta and the Tsuut'ina Nation was signed in November 2013, which secured the land needed for the construction of the Southwest Calgary Ring Road. On May 22, 2015, the historic land transfer between Alberta and the Tsuut'ina Nation was finalized. The federal government has implemented the agreement between the Tsuut'ina Nation and Alberta, as laid out in the land transfer agreement. As part of the agreement provincial Crown lands were transferred to Tsuut'ina Nation and 1,058 acres of former reserve land was transferred to Alberta in May 2015. The procurement process for the Southwest Calgary Ring Road is underway and an agreement with the selected consortium is expected to be signed in September 2016. There are two segments of the Calgary Ring Road remaining:

- Southwest Calgary Ring Road – Highway 8 to Macleod Trail; and
- West Calgary Ring Road – Highway 1 to Highway 8.

Develop a long-term infrastructure plan with other governments and industry that supports the outcomes of the transportation strategy

Transportation system planning demands a comprehensive and long-term approach. Alberta's vast and multifaceted provincial highway network of 31,400 kilometres is among the largest in Canada. To ensure a reliable and integrated network to enable Albertans to thrive today and plan for future prosperity, the land, budget and infrastructure needed for major transportation projects requires planning that begins years in advance, including consideration of the rehabilitation and maintenance required to protect the investment in transportation assets. Collaboration with other governments and industry is an important part of system planning that fosters a coordinated and diversified approach to effectively link communities and serve industry expansion.

To meet the challenges of growth and support diverse industry needs, the Government of Alberta continues to develop the province's high load corridors. This vital infrastructure allows for the transportation of heavy equipment and massive modules through the province. Removing obstacles that impede high load travel, such as overhead power lines, and enhancing infrastructure for increased capacity are key undertakings toward forming the corridors. Progress includes: raising or burying power lines, installing traffic signals that have rotatable bases to allow lights to move out of the way; improvements to staging areas which the trucking industry uses to inspect roads and equipment and safely park their vehicles to rest; adding passing and climbing lanes; planning and developing intersection and roundabout designs to accommodate oversized vehicles; constructing bypasses; and accommodating wider lanes and strong bridges.

Advancement of corridor development is further supported by including the context of infrastructure preservation while working collaboratively with industry needs. To facilitate the assessment of these many factors, Transportation is conducting a High Load/Heavy Load Corridor Planning Study that focuses on the following:

- Redefining the high load corridor to accommodate over-dimension loads and the movement of overweight loads, with a focus on protecting public investments in these highways and minimizing negative impacts on the operation and integrity of the infrastructure;

- Updating the high load corridor network to reflect present and future needs of the industry;
- Developing a capital investment plan for the short and long term based on needs and priorities; and
- Applying intelligent transportation systems technology to improve freight and passenger operations of over-dimension and overweight movement.

The Asia-Pacific Gateway is an integrated system of transportation infrastructure, road and rail connections that reaches across Western Canada, as well as major airports and border crossings, facilitating global supply chains between North America and Asia-Pacific countries. Further expanding access to markets and improving mobility through strategic corridor development, Transportation continues to strengthen Canada's Asia-Pacific Gateway and completed the Queen Elizabeth II Highway and 41st Avenue Southwest Intermodal Access project in Edmonton in December 2015. This project included a grade separation for the new Canadian Pacific intermodal facility. The overall project cost was $205 million, with the Government of Canada contributing $75 million to the Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund. The Government of Alberta contributed $57.5 million and the City of Edmonton provided $72.5 million. The newly developed interchange will improve connections between different modes of transportation, particularly by improving rail and road traffic, and opening economic opportunities and international trade with Asia-Pacific countries.

Promote harmonized standards and regulations with partner jurisdictions and clearly communicate objectives to industry

Transportation continues to work collaboratively with other Canadian jurisdictions to establish national standards and regulations for monitoring industry carriers operating in Canada. This includes the Cargo Securement Standards for commercial vehicles, under the Commercial Vehicle Safety Regulation (CVSR), which adopts a national standard for cargo securement. The Standard has been amended twice since it was adopted by the CVSR in order to harmonize standards and regulations with partner jurisdictions. In April 2016, the CVSR approved amending the regulation to adopt current standards and allow for future amendments. Moving forward, this will ensure Alberta's cargo securement standards are harmonized with partner jurisdictions and will not require industries to operate under different standards while in Alberta.

The commercial industry faces an increasing challenge in attracting new drivers. On June 18, 2015, the Government of Alberta entered an agreement to allow current and retired Canadian Armed Forces members to operate commercial vehicles without additional testing or requirements. The conversions from the Department of National Defence 404 to an Alberta driver's licence class 1, 2, 3, 4, or 5, will allow applicants to drive semi-tractors, large trucks, buses and limousines. This will assist in addressing labour shortages in the commercial industry in Alberta. Since the inception of the agreement, two retired and 47 active members of the Canadian Armed Forces have applied, and two-thirds have transitioned to Alberta driver's licences.

The harmonization of transportation standards and regulations with Alberta's partner jurisdictions, both within Canada and internationally, contributes to a well-integrated, multi-modal transportation system that supports economic growth by enabling the reliable and efficient movement of people and products throughout the country, linking to markets across the world.

Enhance rural bus services and enable urban and regional transit services by collaborating with partners to develop and implement options to support community transit strategies promoting accessible, affordable and inclusive transit for families, Albertans in need, seniors and people with disabilities

Enabling connected and vibrant communities as Alberta's economy and population grows, public transportation provides a safe, accessible and environmentally sustainable means of transportation to provide Albertans with options that connect them to work, services and each other. Improved public transportation systems will enhance mobility and encourage more commuters to choose public transportation options, reducing congestion in our communities and helping meet provincial goals under the Climate Leadership Plan. Improved rural bus service will provide Albertans living in rural Alberta or smaller communities with reliable access to services in larger centres, such as health care facilities, recreation, education and employment opportunities.

During March and April 2016, Transportation engaged more than 150 organizations and the public to inform the development of a provincial transit strategy and funding criteria to support municipal initiatives and rural bus service.

Discussions and meetings were held with elected and non-elected officials, including Indigenous leaders, non-profit and volunteer organizations, private and municipal transit providers, and labour and social advocacy groups. Stakeholders also provided written input through workbook submissions, and Albertans participated through an online survey. Nearly 2,000 online surveys were completed by Albertans and nearly 80 workbooks were received as part of the engagement.

Transportation is reviewing and compiling all the input received from stakeholders and Albertans, and is working on developing specific deliverables that will be part of the provincial transit strategy. The provincial transit strategy will support Alberta's Climate Leadership Plan goals by helping to lower greenhouse gas emissions by reducing reliance on single-occupant personal vehicles, as well as other government initiatives such as the *Municipal Government Act* review and Transportation Strategy for Alberta. Completion of the provincial transit strategy and funding program criteria is targeted for fall 2016.

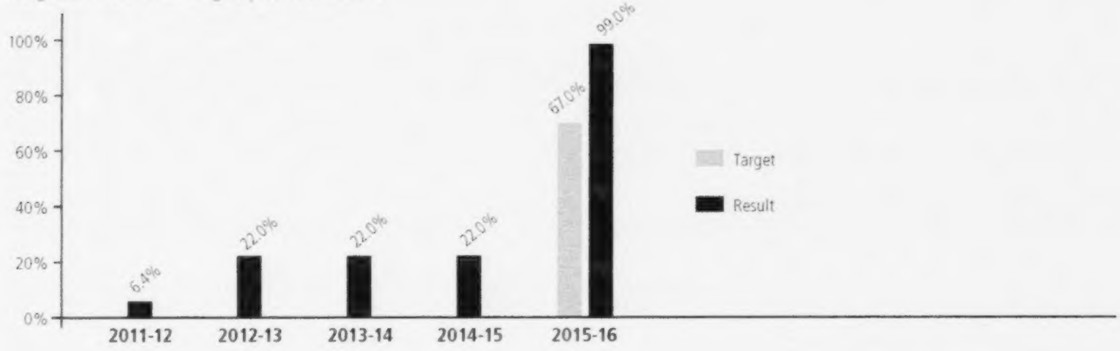
Measure 1.a – *Highway 63 twinning between Grassland and Fort McMurray: Percentage of twinned highway kilometres open to travel*

Description: This measure is the percentage of Highway 63 between Grassland and Fort McMurray that is twinned and opened to travel. It consists of approximately 240 kilometres of highway.

Rationale: Highway 63 is an important corridor to Fort McMurray and the Municipality of Wood Buffalo. Complete twinning of Highway 63 between Grassland and Fort McMurray will improve safety and accommodate economic growth in northeastern Alberta (see Methodology on page 33).

Results: At the end of fiscal year 2015-16, 99 per cent of twinned highway was open to travel. In May 2016 the final three kilometres were completed to facilitate re-entry after wildfires.

Percentage of Four-Laning Open to Travel



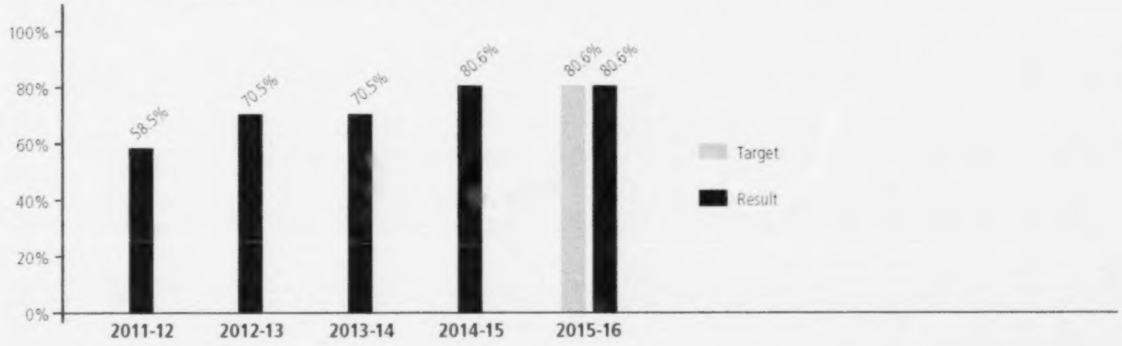
Measure 1.b – *Ring roads in Edmonton and Calgary: Percentage of combined ring road kilometres open to travel*

Description: This measure indicates the percentage of ring roads in Edmonton and Calgary open to multi-lane travel. The total corridor length when completed is approximately 100 kilometres in Calgary and 78.4 kilometres in Edmonton.

Rationale: The development of ring roads around the province's two major metropolitan areas is of paramount importance to the economic development of the province. Besides accommodating traffic growth in the Edmonton and Calgary regions, the ring roads enable the efficient movement of goods and people into, out of and around the two metropolitan areas improving access from the cities to the rest of Alberta and vice versa (see Methodology on page 33).

Results: At the end of fiscal year 2015-16, 80.6% per cent of combined ring road kilometres were open to travel.

Percentage of combined ring road kilometres open to travel



Desired Outcome Two: *Long-term sustainability and affordability of Alberta's transportation system*

A transportation system to serve Albertans today and in the future requires smart investment and a detailed understanding of assets. The provincial transportation network is a vital component that enhances the economic prosperity and social growth of the province. Preservation of transportation infrastructure, including maintenance and rehabilitation, extends its useful life and reduces long-term costs. Strategic decision-making in operating, maintaining and upgrading essential highway network capacity will help ensure optimal use and long-term sustainability of the province's transportation assets.

Create and implement a transparent infrastructure plan to sustain an efficient and effective road network in Alberta

Transportation manages 31,400 kilometres of highways, of which 28,200 kilometres are paved. The department also manages nearly 4,500 bridges which include traditional bridge structures, interchanges and large culverts. Transportation is responsible for the long-term planning of the highway network and oversees the design, construction and maintenance activities, including for bridges. The challenges in caring for this network, while balancing transportation maintenance and expansion in an affordable manner, require strategic and innovative approaches in transportation asset management to identify investment opportunities that consider safety, community support, intermodal connectivity, economic vitality, asset longevity, value for money and seamless delivery.

By the end of the 2015 construction season, Transportation completed approximately 860 kilometres of highway rehabilitation projects across the province.

In 2015-16, the following lists outline the major projects that were completed and major projects where substantive work is underway as part of network rehabilitation.

Major highway rehabilitation projects completed in 2015-16

(EBL – East Bound Lane, WBL – West Bound Lane)

Highway	Description
16	4 Kilometres West of Highway 32 – Highway 32 (WBL)
20	Highway 11 – Town of Sylvan Lake (selective)
1X	Highway 1 – Highway 1A
56	Town of Stettler (selective)
815	Highway 597 – 5 Kilometres South of Highway 12
597	Highway 2 – Town of Blackfalds (selective)
60	Highway 16A – South of Highway 16
605	Highway 821 – 11 Kilometres East of Highway 821
779	Town of Stony Plain – 1 Kilometres North of Highway 16
670	14 Kilometres West of Highway 43 – Highway 43
667	Highway 722 – Highway 43
2	12 Kilometres North of Highway 59 – Town of Sexsmith selective

Highway	Description
43	1 Kilometres West of Highway 724 – City of Grande Prairie (WBL selective)
505	2 Kilometres East of Highway 810 – Highway 2
43	South of the Hamlet of Little Smoky – Town of Fox Creek (WBL selective)
21	18 South of Highway 42 – Highway 595
58	1.5 Kilometres East of Highway 35 – 26 Kilometres East of Highway 35
43	15 Kilometres West of Highway 947 – 19 Kilometres East of Highway 947 (WBL selective)
16	3 Kilometres East of Highway 631 to 2.5 Kilometres East of Highway 857 (EB)
587	9 Kilometres West of Highway 766 – 7 Kilometres East of Highway 766
56	1 Kilometres South of Highway 12 – Highway 53
1	1 Kilometres East of Highway 41 – 25 Kilometres East of Highway 41 (EBL)
799	Highway 23 – Highway 552
3	Highway 3A – City of Lethbridge (EBL)
1	Highway 797 – Town of Strathmore
36	South of Highway 12 – South of Alliance (selective)
45	Highway 41 – Dewberry Access Road (UAR 56)
1	1 Kilometres East of Highway 1X – 3 Kilometres West of Highway 68 (EBL & WBL selective)
43	1 Kilometres West of Highway 724 – City of Grande Prairie (EBL)
11	9 Kilometres West of Highway 921 – Highway 12
11	4 Kilometres East of Highway 22 – 2 Kilometres West of Benalto Access (selective)
40	North of Cutbank River to South of Big Mountain Creek
45	Highway 15 – 1 Kilometres East of Highway 855 (selective)
47	Highway 40 – 14 Kilometres South of Highway 16 (includes Safety Rest Area, South of Highway 16)
63	Highway 686 – 48 Kilometres North of Highway 686 (selective)
45	Highway 893 – Highway 17
1	Kilometres West of Highway 884 – 1 Kilometres West of Highway 524 (EBL & WBL selective)

Major highway rehabilitation projects started in 2015-16

(EBL – East Bound Lane, WBL – West Bound Lane)

Highway	Description
16	12 Kilometres West of Highway 834 – 2 Kilometres West of Highway 834 (EBL)
28	Highway 651 – West of Highway 827
16	2 Kilometres West of Highway 834 – 7 Kilometres West of Town of Mundare (EBL)
690	Highway 35 – 3 Kilometres West of Highway 743 (includes work at Deadwood Slide)
16	Highway 36 – 1 Kilometres West of Village of Innisfree (EBL)
695	West of Highway 35 – Highway 35
47	14 Kilometres South of Highway 16 – 1 Kilometres South of Highway 16
851	Highway 9 – Farrell Lake
881	Highway 28 – 6 Kilometres North of Highway 660
36	Highway 619 – 18 Kilometres North of Town of Viking
2	1 Kilometres East of Highway 44 – 15 Kilometres South of Town of Slave Lake
16	1 Kilometres East of Highway 21 – 1 Kilometres West of Highway 830 (EBL)
35	Highway 691 – 10 Kilometres South of Highway 692
22	Highway 587 – 10 Kilometres North of Highway 54

Highway	Description
759	Highway 39 – Highway 624
29	Highway 15 – Highway 855
63	South of Marianna Lake – North of Algar Tower
754	45 Kilometres North of Highway 88 – 6 Kilometres North of Highway 813 (selective)
1	East Boundary Stony Indian Reserve – West of Highway 22 (EBL & WBL)
620	West of Highway 753 – Highway 22 (Drayton Valley)
16	Town of Hinton to Town of Edson (EBL & WBL selective)

Capital Projects underway or planned in 2015-16

(Including highway construction, slide repairs and bridge construction)

Description
Completion of Highway 12 realignment project near the Town of Bentley to improve the movement of goods through the region
Significant completion of Highway 2/41 avenue interchange, south end of the City of Edmonton (shared funding – administered by City of Edmonton)
Curve revisions, widening and overlay on sections of Highway 28 near the Town of Redwater
Slide repair at Highway 2 (Dunvegan), Highway 986 (Daishowa West Hill) and Highway 49 (Burnt River)
Bridge replacements at Lineham Creek on Highway 40 SW of Longview, Fred Creek on Highway 40 N of Hinton, Battle River on Highway 611 near Usona and Redwater River on Highway 2 near Vimy
Roundabout construction on Highway 2A/597 at the Town of Blackfalds

The final Northeast leg of Anthony Henday Drive (expected to be completed by October 2016) the twinning of the east and west portions of Highway 19, and an additional southbound capacity on the Queen Elizabeth II Highway (expected to be completed by 2018).

In 2015-16, Transportation confirmed $6 million was earmarked to conduct a comprehensive corridor improvement study from 2015 to 2017 on the Queen Elizabeth II Highway (QEII Highway 2) Corridor between Edmonton and Calgary. The study includes the following:

- **Review and combine previous corridor plans –** Includes the consolidation of all previous Highway 2 planning studies and detailed design projects.
- **Corridor review and assessment –** Includes the assembly of all existing land-use plans from municipalities along the corridor to determine the long-term traffic projections along Highway 2 and identify stress points and highway expansion requirements.
- **Alternative options –** Includes the review of alternative north/south corridors and congestion mitigation methods. The study includes a review of intelligent transportation systems, bus rapid transit, light rail transit, high occupancy vehicle lanes, truck only lanes and other non-traditional approaches to reducing the number of vehicles using the QEII, and will examine cost-effective, innovative options to address the long-term functionality of the highway network.
- **Implementation plan** – Identify a construction implementation plan for all Highway 2 upgrade projects, including six and eight laning.

Enhance transportation asset management planning to support strategic decision-making, taking into account life-cycle costs, economic, environmental and social impacts

Transportation completed a draft strategy for developing an Asset Management Plan, as part of an implementation plan component of the Transportation Strategy for Alberta. The Strategy focuses on long-term sustainability and affordability in maintaining current transportation assets and supports the strategic development of new infrastructure. In 2014, Transportation launched a comprehensive process mapping initiative to identify the functions and work activities of the business areas that are related to asset management. The process mapping supported the development of roles and responsibilities related to asset management planning within the Ministry. Enhancing current asset management planning processes will contribute to the medium to long-term objectives for Transportation. Over the next two years, the Asset Management Plan's development will comprehensively review six key components of the Asset Management Strategy to support asset management planning, which include:

- Organizational System Management/Partnerships;
- Performance Management Objectives;
- Innovation and New Technology;
- Engineering Assessment;
- Investment Strategies; and
- Financial Plan.

The review of the six key components of the Asset Management Strategy will support decision-making, allowing Transportation to factor into account life-cycle costs, while considering the economic, environmental and social impacts of transportation. The Ministry reviewed deferred maintenance and performance measure practices of Transportation and Alberta Infrastructure and provided recommendations to move forward with a focus on a life-cycle asset management planning approach.

Further informing asset management planning, Transportation is currently developing the Spatial Economic Model for evaluating the effects of investments in transportation on the economy, such as job creation, commodity flow and access to markets. The evaluation of the economic impacts is reliant on the completion of the initial stage of the Economic Model in 2017-18.

Implement approaches to ensure highway operations and maintenance achieve the results Albertans need

Transportation continues to work to ensure highway operations, maintenance and preservation of the provincial highway network to keep Albertans safe while travelling on the network today and in the future. In 2015-16, the Government of Alberta invested $386 million in ongoing maintenance and preservation of the provincial highway network. Protecting public safety and preserving the value of investment in the highway network are key priorities for Transportation in the delivery of highway maintenance services. The challenge is addressing the physical deterioration of the highway network and balancing this with new development and capacity improvements in an affordable manner and to a sustainable condition. The infrastructure deficit will continue to grow in times of short and long-term financial constraint, made more difficult given Alberta is home to the most extensive highway network in Canada. Transportation reduced services or activities that are conducted for aesthetic or preventative purposes such as mowing, weed spraying and replacement of information and directional signs.

Highway maintenance activities preserve provincial highway network assets through preventative and reactive maintenance. This includes summer and winter maintenance activities and provides Albertans with a safe and operational provincial highway system.

Transportation is reviewing existing contracts, and will strive to address Albertans' concerns with respect to service level, aiming to provide more sustainable and economical care of the province's highway assets.

Using the latest technology to improve winter safety on Alberta's highways, in early 2016 Transportation launched an in-house developed and maintained snowplow locator website that is publicly accessible through the 511 Alberta website and mobile application. The Alberta Snowplows website indicates the locations of snowplows and other maintenance vehicles contracted by Transportation for winter maintenance of the provincial highway network. All highway maintenance contractor snowplows are equipped with an Automatic Vehicle Location System (AVLS). AVLS systems use GPS technology to track snowplow movements and help the government to monitor and audit contractors' work. AVLS also allows automated billing by contractors, which is more efficient and accurate.

Continue expansion of the automated permitting Transportation Routing and Vehicle Information Multi-Jurisdictional system across municipalities throughout Alberta

The Transportation Routing and Vehicle Information System (TRAVIS) is a web-based program that was developed to address industry's need for a simplified, electronic oversize commercial vehicle permitting system. TRAVIS has the ability to accept a single electronic permit application and apply the rules and approvals of the province and all effected municipalities to create a single permit document. TRAVIS was designed to provide municipalities with the ability to easily approve/deny permits issued by the province for travel on roads under their authority, and facilitate the sharing of permit revenue between the province and the municipalities.

As of March 2016, 285 of 344 Alberta municipalities are using TRAVIS, with much progress being made in setting up the City of Edmonton. To date, 59 municipalities have not yet joined as TRAVIS users; however, an ideal outcome would be full participation by municipalities and full support from industry on the benefits of one-stop application process for permits. A committee comprised of representatives from Transportation and municipalities has been tasked with addressing concerns from non-participants, as well as identifying deficiencies in the system.

There were 48,719 permits approved and issued in 2015-16 generating municipal permit revenues of approximately $2.1 million. This amount includes revenues related to municipal over-the-road portion of the total permit fee and municipal fixed permit fees. Since its implementation in 2014, TRAVIS has been a valuable tool for sharing the costs of highway maintenance among Albertans who use the road; and therefore is an important initiative contributing to the long-term affordability of Alberta's transportation system.

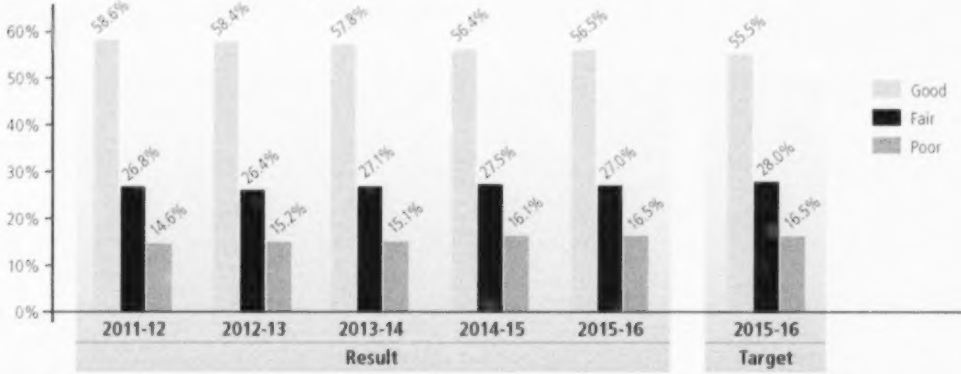
Measure 2.a – *Physical condition of provincial highway surfaces*

Description: This measure defines the percentage of the paved highway network that is in good, fair or poor condition. The International Roughness Index (IRI) is used to measure the roughness of roads and is used as a sole measurement to categorize overall physical condition. The segments in poor and fair condition are those that require attention now or in the future.

Rationale: The measure is used to assess and sustain the quality of the paved highway network, in support of efficient movement of commuter, business, commercial and pleasure traffic. The preservation of pavement quality through regular rehabilitation reduces the total life-cycle cost of the highway system, improving return on investment for Albertans (see Methodology on page 33).

Results: In 2015-16, 56.5 per cent of the paved highways were in good condition compared to the target of 55.5 per cent; 27.0 per cent of the paved highways were in fair condition compared to the target of 28.0 per cent; 16.5 per cent of the paved highways were in poor condition compared to the target of 16.5 per cent. The government recognizes that the provincial highway system is critical to the economic prosperity and social growth of the province. Therefore, the government continued to invest in highway repaving and innovative solutions to maintain the percentage of highways in good and fair condition under increased traffic flows.

Physical Condition of Provincial Highway Surfaces



***Desired Outcome Three:** A transportation system that supports environmental stewardship and the quality of life for all communities*

The ministry will support initiatives such as increased access to transit, that promote environmental sustainability of the transportation system and support a high quality of life for Albertans by aiming to lower transportation costs for families, help provide more public transit options, reduce greenhouse gases and contribute to protecting the environment.

Develop and implement standards, design and planning of the transportation system that support environmental stewardship objectives and enhance the efficient use of resources

Transportation continues to ensure that appropriate guidelines, standards and processes are in place for the planning, design, construction, operation and maintenance of transportation and water management infrastructure projects.

Transportation is developing an integrated, cost-effective and environmentally acceptable system for the management of contaminated sites, such as highway maintenance yards. This includes assessment and remediation of these sites.

Transportation has embarked on new initiatives such as the Alberta Wildlife Watch to reduce animal-vehicle collisions on provincial highways through development of a smartphone application to report wildlife along highways and identify "hot spots" requiring construction mitigation.

Also under development is a regulatory tracking system to record and manage environmental commitments and compliance on a project-by-project basis to ensure the department remains in regulatory compliance long after construction has been completed.

Investigate opportunities and partnerships to reduce greenhouse gases from transportation sources

Transportation continues to support environmental stewardship initiatives and efforts to reduce greenhouse gas emissions, increase energy efficiency and improve the quality of life for all Albertans. Under the Climate Leadership Plan the Government of Alberta is moving forward with four key areas:

- Phasing out emissions from coal-generated electricity and developing more renewable energy;
- Implementing a new carbon price on greenhouse gas emissions;
- A legislated oil sands emission limit; and
- Employing a new methane emission reduction plan.

Promoting alternative modes of travel, such as public transit, will serve to help reduce greenhouse gas emissions from the use of single-occupancy vehicles while offering more public transit options. During March 2016, Transportation engaged with stakeholders and the public to inform the development of a provincial transit strategy and funding criteria to support municipal transit initiatives and rural bus service. The strategy will outline specific deliverables to achieve goals under the comprehensive Transportation Strategy for Alberta.

Promote the development of public transit systems through grant funding programs to support municipal and regional transportation

In alignment with the Government of Alberta's Climate Leadership Plan, Transportation has committed to investing in municipal and regional transit projects that encourage and support economic growth and development in Alberta, while improving safety and quality of life for Albertans. The Green Transit Incentives Program (GreenTRIP) enables communities to access funding to assist with the purchase of transit vehicles, enhance transit technology, build transit infrastructure and invest in the expansion in areas such as light rail transit (LRT) to increase ridership and reduce traffic congestion. The GreenTRIP program is intended to encourage municipalities to identify and address their local transit priorities and foster the development of innovative and sustainable transit projects. Transportation supported the following GreenTRIP projects by providing more than $185 million in 2015-16:

- St. Albert Transit announced GreenTRIP funding would support the purchases of four new electric buses, as well as the development of regional smart fare technology. Smart fare is a project focusing on developing technology that would eliminate the need for cash fares to increase the efficiency of municipal transit systems throughout the Edmonton Region.
- Renewal and/or expansion of bus and paratransit bus fleets to make public transit more comfortable, safer and accessible in Lethbridge and Medicine Hat.
- Red Deer is using GreenTRIP funding to invest in the purchase of clean burning Compressed Natural Gas (CNG) buses and expand services with the expectation of lowering greenhouse gas emissions by 122 tonnes per year.
- Calgary's 17th Avenue Southeast Transitway and Southwest Transitway; including bus only lanes and roads, LRT electrical upgrades and North and South Crosstown Bus Rapid Transit.

The Government of Alberta announced it will commit $2 billion to GreenTRIP by 2020-21 and as of March 31, 2016, communities across Alberta have already benefitted from the program through 25 transit projects worth more than $1.5 billion. Of the original $2 billion investment, a total of $415 million dollars, remained uncommitted as of March 31, 2016, with applications still being accepted until August 31, 2016. GreenTRIP projects will continue to connect Albertans throughout the province to jobs and services, as well as reduce greenhouse gas emissions.

Identify transportation initiatives to advance energy efficiencies as a component of the government's Climate Leadership Plan

Transportation continues efforts to reduce emissions and improve energy efficiencies related to the Ministry's operations as a component of the Government of Alberta's Climate Leadership Plan.

Transportation is exploring energy efficient options that modernize operations and lower the Ministry's carbon footprint. As of March 31, 2016, Transportation, in coordination with private contractors, is in the process of replacing highway lighting systems with LED bulbs, which save energy and lower greenhouse gas emissions.

In cooperation with the Alberta Climate Change Office, Transportation will be engaged in a preliminary survey of compliance-related operating standards over the coming year. New regulatory standards can function as a cost-effective means of increasing energy efficiency while reducing the sector carbon footprint.

DESIRED OUTCOME THREE

Ensure all Albertans have reliable access to clean drinking water and water/wastewater treatment systems by providing funding, through the Alberta Municipal Water/Wastewater Partnership program and the Water for Life program, to assist municipalities with the provision of water supply, water treatment and wastewater treatment and disposal facilities

Transportation continues to support important municipal projects through the Water for Life program and Alberta Municipal Water/Wastewater Partnerships (AMWWP). These programs provide critical funding for municipal water and wastewater infrastructure and ensure that potable water supplies and wastewater treatment is available to all Alberta communities to support the quality of life for all Albertans. Eligible municipalities and regional commissions may apply for grants to support the construction of water supply and treatment services, as well as wastewater treatment and disposal facilities.

Reliable access to quality drinking water and wastewater treatment systems is crucial in building strong, healthy communities and rural economies. In the 2015-16 budget, $545 million was earmarked over a period of five years to fund critical water infrastructure in municipalities across Alberta.

These funding programs ensure municipalities have water supplies that meet potable water requirements and wastewater treatment that is environmentally acceptable.

A few notable projects funded in 2015-16 include:

- Didsbury wastewater lagoon;
- Drayton Valley water treatment plant;
- Grande Cache water treatment plant upgrade;
- Nanton wastewater treatment plant upgrade;
- John S. Batiuk Regional Water Commission – booster station/pump upgrade;
- West Inter Lake District (WILD) regional waterline phase one Stony Plain to Wabamun; and
- Wheatland Regional Waterline phase one – Standard to Gleichen.

Work with partners to ensure Indigenous communities have reliable access to clean and safe drinking water

Transportation continues to work with its partners to ensure Indigenous communities in Alberta have access to reliable, safe and potable drinking water, as well as regional water and wastewater systems and disposal facilities. The Government of Alberta-funded Water for Life program supported the first phase of the West Inter Lake District (WILD) Regional Water Commission to bring Edmonton water supply from Stony Plain west to Wabamun. Other projects that have applied for funding under the Water for Life program include the future water supply requirements for Indigenous communities including the Cold Lake Regional Utilities Commission regional system and West Corridor regional system for the Town of Wembly. Transportation will continue to co-coordinate municipal priorities and funding with federal priorities and funding.

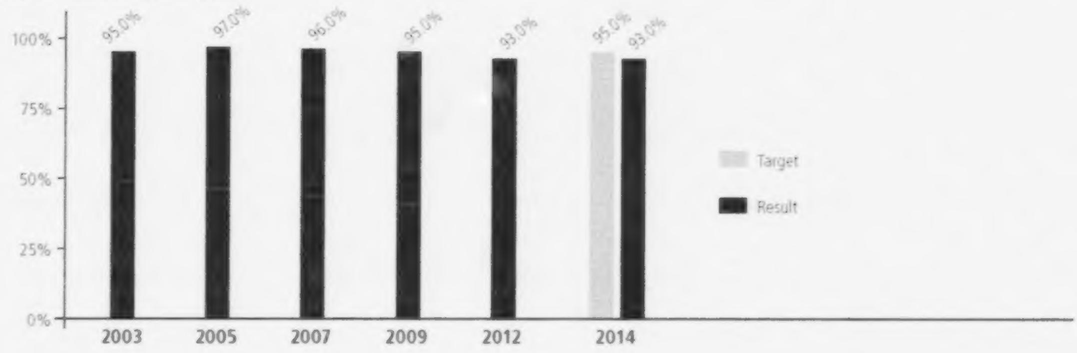
Measure 3.a – *Percentage of municipal clients satisfied with overall quality of service (biennial survey)*

Description: The measure represents the percentage of municipal partners satisfied with the overall quality of services provided by the Ministry in the administration of grant programs. Respondents rate their satisfaction on a scale of 1 to 6 (1 being very unsatisfied and 6 being very satisfied). Results include all those clients who indicated they were "somewhat satisfied", "satisfied", or "very satisfied". The survey is administered every two years to allow the Ministry sufficient time to develop and implement strategies that address survey findings.

Rationale: The Ministry is committed to service excellence and strives to develop an environment where partners consistently experience positive outcomes when interacting with the Ministry. Results of the survey allow the Ministry to continually improve its services to municipalities (see Methodology on page 34).

Results: In 2014, municipal client satisfaction was 93 per cent, which is the same as the 2012 result of 93 per cent. On average, the results are accurate within plus or minus 5.5 per cent, 19 times out of 20. The level of client satisfaction for all services remains high, and can most likely be attributed to the fact that Municipal Grant Program criteria remained unchanged.

Municipal Client Satisfaction



Note: *The survey is completed every two years, with the exception of a three-year gap between 2009 and 2012.*

Desired Outcome Four: *A safe and secure transportation system that protects Albertans*

The safe and secure movement of Albertans and goods across the transportation system is enhanced by education, innovative technologies, safety regulations and safer infrastructure, increasing Albertans' quality of life resulting in lower death and casualty rates. Eliminating high-risk vehicle operation and improving driver behaviours saves lives.

Continue to implement transportation safety strategies in support of the Traffic Safety Plan 2015 to reduce collisions, injuries and fatalities on Alberta roadways, and develop the new five-year Transportation Safety Plan 2020 and an Indigenous transportation safety strategy to build upon these improvements

The Transportation Safety Plan (TSP) is a province-wide five-year strategy developed around the Safer Systems Approach. The Safer Systems Approach was introduced in TSP 2015 to reduce fatal and major injuries in traffic collisions in Alberta. The implementation of traffic safety strategies outlined in the TSP has been a key component in the Ministry's approach to lowering the number of collisions, fatalities and injuries on Alberta roads. The policies and programs under the TSP are essential to the Ministry's goal of maintaining a safe transportation system that protects Albertans and ensures the safe movement of goods across Alberta. TSP 2015 estimated a 15 per cent reduction in the three-year average fatal and major injury collision rate, which has been decreasing over time. The three-year average rate per 100,000 population of combined fatal and major injury collisions decreased from 91.5 in 2007 to 65.9 in 2015. Transportation continues to provide leadership and coordination for provincial transportation safety issues and ensures ongoing collaboration with stakeholders and partners in implementing TSP 2020. Aligned with the Transportation Strategy of Alberta, TSP 2020 adopts Vision Zero: a shared vision of zero deaths or major injuries on Alberta's roadways. This vision recognizes that collisions are neither inevitable nor acceptable and it is the responsibility of all Albertans to ensure safety on Alberta highways.

Transportation continued to implement its Community Mobilization Strategy as a fundamental component of TSP 2015. The Community Mobilization Strategy is focused on supporting community partners in taking on leadership roles and a shared responsibility in identifying local traffic safety priorities and developing solutions that make sense for their communities. As of March 31, 2016, key elements of the Community Mobilization Strategy were in place to support TSP 2015 and the development of the TSP 2020 including, monthly public education and awareness activities and publicly available resources to support pedestrian safety, and reduce distracted driving, speed and impaired driving. The Alberta Traffic Safety Fund was instrumental in enhancing community capacity by supporting stakeholder involvement in awareness, training and community engagement projects in communities across Alberta. In 2015-16, 47 grant applications were approved by the Alberta Traffic Safety Fund. Projects under the fund are primarily developed by community organizations to address local safety priorities with the future goal of building a traffic safety culture that will directly supports Vision Zero.

Another key element of the Community Mobilization Strategy is the Alberta Indigenous Traffic Safety Strategy (AITSS). The AITSS recognizes the unique challenges in implementing traffic safety initiatives in Indigenous communities and outlines strategies developed through engagement to support Indigenous communities to mobilize around priority safety issues. The development of the next iteration of the AITSS continues through dialogue with key stakeholders, Indigenous leaders and elders involved in the implementation of the Aboriginal Traffic Safety Strategy in 2008. Future options for formal engagement with Indigenous leadership and community partners will be considered subsequent to the release of TSP 2020.

Promote and enhance the Traveller Information Portal (511 Alberta) to provide drivers with reliable and timely travel condition information

511 Alberta, the Transportation-managed Traveller Information Portal was launched in February 2013. It operates the 511 Alberta Citizen Reporting application, the first mobile application in Canada that allows citizens to report observed roadway pavement conditions. 511 Alberta is a free traveller information service that operates 24 hours a day, 7 days a week and 365 days a year.

The 511 Alberta Citizen Reporting program enlists citizen volunteers to report on current road conditions along specific highway segments in Alberta. The range of information provided by citizens covers 31,400 kilometres of the provincial highway network and can include roadwork, major incidents, weather alerts, availability of ferry services and wait times at border crossings. Since implementing Citizen Reporting in 2016, 510 citizens have registered to submit roadway condition reports to the program. The benefits of the Citizen Report program are:

- Current condition reporting where drivers are already travelling;
- Assist in filling observation and highway condition reporting gaps; and
- Provide accurate, enhanced, timely travel information for travellers on Alberta roadways.

Transportation remains committed to enhancing the 511 Alberta program, which had more than 1.2 million visitors in 2015 to improve the overall end-user experience. Improvements made to the 511 Alberta system in 2015-16 include:

- **Snowplow Locator –** An in-house developed and maintained snowplow locator website was officially launched to the public in early 2016. The Alberta Snowplows website uses information provided by the Auto Vehicle Location System (AVLS) to indicate the locations of snowplows and other maintenance vehicles contracted by Transportation for winter maintenance of the provincial highway network.
- **New 511 Desktop Website –** A newly developed desktop website was launched in March 2016 and is expected to greatly improve end-user experience. The new page features a new map page with collapsible legends, a search function, more intuitive controls, easier access to key features and a map and text report that are geographically synchronized.
- **Integration of the Wind Advisory System (WAS) –** In 2015-16, Transportation's Intelligent Transportation Systems team successfully integrated the Wind Advisory System into 511 Alberta. The integration gives 511 Alberta the ability to alert the public through the public websites, phone system and social media when wind speeds of 80 kilometres per hour are detected on Highway 22, north of Highway 3 in southern Alberta, and inform the trucking industry of high wind events.
- **Law Enforcement Reporting Application –** 511 Alberta is continually enhancing its service to meet the needs of users and is working closely with the Royal Canadian Mounted Police and other law enforcement agencies to create a dedicated law enforcement reporting application similar to the Citizen Reporter tool, which can be used by law enforcement agencies to report and alert 511 Alberta to traffic incidents occurring on provincial highway network. The Law Enforcement Reporting Application is expected to launch in early 2017.

Continue to develop amendments to the *Traffic Safety Act* and regulations to enhance the safety of transportation system users

In the Driver Attitude Survey conducted in August 2014, 81 per cent of Alberta drivers identified distracted driving as the main cause of collisions on Alberta roads. International research indicates that driver distraction contributed to between 20 to 30 per cent of all collisions and distracted drivers are three times more likely to be involved in a traffic collision. To date, since the introduction of the distracted driving legislation on September 1, 2011, there have been 114,914 convictions for distracted driving in Alberta.

An amendment introduced in the *Traffic Safety Act* has now been proclaimed and is in force province-wide. As of January 1, 2016, distracted driving convictions include three demerit point deduction and a $287 fine. The law applies to all motor vehicles as defined by the *Traffic Safety Act*. It restricts drivers from:

- Using hand-held cellphones;
- Texting or emailing (even when stopped at red lights);
- Using electronic devices, such as laptop computers, video games, cameras, video entertainment displays and programming portable audio players;
- Entering information on GPS units;
- Reading printed material, writing, printing or sketching; and
- Personal grooming.

The continued review and development of amendments to the *Traffic Safety Act* and regulations to enhance and increase the safety of the transportation system for users is a priority for the Ministry. It is critical to Transportation's role in influencing transportation safety on Alberta roads. The evolution of the *Traffic Safety Act* and enforcement of traffic regulations are therefore essential to Transportation's goal of maintaining a safe transportation system that will continue to protect Albertans into the future.

Investigate and implement appropriate innovative technologies and approaches that promote a safe and intelligent transportation system

Transportation continues to support and invest in innovative technologies that promote a safe and intelligent transportation system. Through the deployment of Intelligent Transportation Systems technologies, Transportation is creating systems that are interoperable, fully connected, information rich and able to address challenges and opportunities associated with safety, mobility and efficiency. Examples of Intelligent Transportation Systems projects implemented by Transportation include:

- Enhancements to Road Weather Information System (RWIS) and Automated Vehicle Location. System technologies to provide 511 Alberta and highway maintenance contractors with "smart" tools to prepare for and respond to inclement winter conditions.
- Deployment of the Road Condition Warning System provides wind warnings for travellers in the southwest portion of Alberta where frequent severe wind conditions have caused a number of truck-trailer rollovers and where there is an increased risk for collisions. This system integrates RWIS and Dynamic Message Signs to create one sign equipped with flashing beacons and displays wind gust speed to automatically inform drivers in real-time, of severe wind conditions. Planning is underway for similar applications in other regions of the province.
- Deployment of traffic cameras to monitor traffic movements and weather conditions at multi-level and free-flow interchanges.
- Reaching the City of Calgary Regional Traffic Management Centre agreement, under which Calgary's Regional Traffic Management Centre will provide traffic management services and Intelligent Transportation Systems technologies to mitigate traffic incidents and congestion on the Deerfoot Trail and Stoney Trail.

- Creation of Canada's first connected vehicle test bed network (ACTIVE-AURORA). A partnership between Transportation, Transport Canada, the University of Alberta, the University of British Columbia and the City of Edmonton, ACTIVE-AURORA will encourage and foster collaboration between researchers, developers and practitioners in industry, government and academia in connected vehicle technology and its applications to road safety, traffic management, commercial vehicle operations and vehicle automation. Connected Vehicle Test Beds are real-world, operational test environments that offer the supporting vehicles, infrastructure and equipment to serve the need of testing activities. By providing a platform for investigating and implementing innovative Connected Vehicle (CV) advanced transportation technologies, the ACTIVE-AURORA helps Canada meet the challenge of improving modern transportation networks to enhance a safe, innovative, smart and sustainable multi-modal transportation network. CV technology enables vehicles to communicate critical, real-time information such as location, speed, inclement weather and adverse road conditions with other vehicles and surrounding infrastructure via wired and wireless networks.

Work with law enforcement, other levels of government, emergency responders and other partners to enhance early response systems and ensure the safe and secure transportation of dangerous goods through communities and strengthen critical infrastructure to reduce the impacts of small and large emergency incidents

Emergency Preparedness and Management – Transportation enhanced emergency preparedness with the establishment of dedicated emergency management training programs for staff and increased resources to ensure ongoing and efficient coordination with province-wide efforts led by the Alberta Emergency Management Agency during emergency incidents. Further in supporting emergency management training and preparedness, Ministry staff participated in a government-wide Emergency Management Exercise in early 2016, which provided Transportation staff an opportunity for hands-on experience and training in case of an emergency in Alberta. Transportation also played a key role in supporting the safe evacuation of residents from Fort McMurray and their subsequent return in response to the May 2016 wildfires.

The Ministry continues to support emergency response through the operation of the 24/7 Coordination and Information Centre (CIC) for highway and rail incidents and is dedicated to ensuring emergency management processes are up-to-date, and reflect the current business of the Ministry. In early 2016, the Ministry developed the High Profile Incident Committee to review the current and future state of the high profile incidents processes and develop a process for identifying, documenting and reporting on High Profile Incidents in Alberta. The purpose of the Committee is to identifying recommendations and update formal procedures going forward.

Dangerous Goods – Transportation is focusing on improving and enhancing the safe transportation of dangerous goods throughout communities in the province. The Ministry has increased its commitment in this area by pursuing ongoing cross-ministry collaboration with Justice and Solicitor General with regards to commercial carrier enforcement, compliance issues and transportation safety. Other key actions related to dangerous goods transportation in 2015-16 include:

- Ongoing engagement with Justice and Solicitor General and Transport Canada with regards to the transportation of dangerous goods requirements and compliance;
- Engagement with industry, municipalities, fire departments and Indigenous communities for ongoing coordination and delivery of Alberta's Transportation of Dangerous Goods program; and
- Maintain and continue to operation the 24/7 operation of the Coordination and Information Centre (CIC), which provides information and technical advice, in addition to assistance during emergency response incidents.

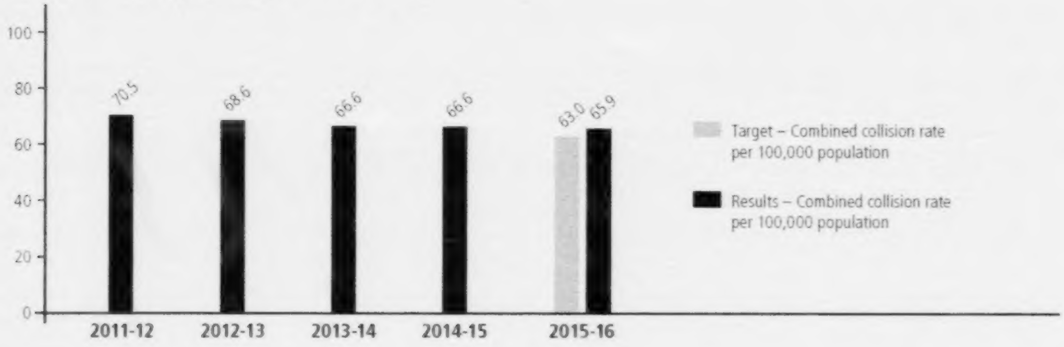
Measure 4.a – *Combined fatal and major injury collision rate per 100,000 population*

Description: This measure describes the three-year rolling average number of the combined fatal and major injury collisions as a rate per 100,000 population.

Rationale: To continue efforts to reduce the number and severity of traffic collisions on Alberta's roads, the Ministry monitors the combined fatal and major injury collision rate per 100,000 population (see Methodology on page 34).

Results: During the 2015-16 reporting period, there were 2,759 combined fatal and major injury collisions reported in the province of Alberta. The three-year average combined fatal and major injury collision rate per 100,000 population was 65.9, which is above the target of 63.0. This variance of 2.9 collisions per 100,000 population is largely due to many contributing factors that have the potential to impact achieving targets for this measure, including changing population demographics, levels of economic activity in the province, increases in the number of drivers and registered vehicles as well as traffic volumes on provincial roads. Continued growth in Alberta also affects the outcomes, for example, traffic volumes for 2015 have increased by 16.15 per cent from 2011, as recorded by Alberta's 379 Automated Traffic Recorder sites throughout the province. Alberta's population as of July 1, 2015, as reported by Statistics Canada, was 4,196,457 (Statistics Canada Catalogue no. 91-215-X). Levels of enforcement, engineering initiatives, community mobilization, strategic communication and education initiatives and the level of support for these strategic initiatives will affect this measure. Many traffic safety initiatives, such as reducing impaired driving or increasing occupant restraint use are about changing attitudes and behaviours and these types of changes can take several years, if not decades to achieve. When determining the targets longer term goals are taken into consideration and targets follow those outlined in the Transportation Safety Plan (TSP) and are based on results achieved during the previous TSP. Specifically, the targets are based on achieving a 15% reduction in the 2013-2015 three year average combined fatal and major injury collisions when compared to the 2008-2010 three year baseline average.

Combined Fatal and Major Injury Collision Rate



PERFORMANCE MEASURE METHODOLOGY

Measure 1.a – *Highway 63 twinning between Grassland and Fort McMurray: Percentage of twinned highway kilometres open to travel*

The measure is based on construction project and highway network data. The percentage is calculated by totalling the number of kilometres twinned and open to travel versus the total kilometres on Highway 63 between Grassland and Fort McMurray (approximately 240 kilometres).

Measure 1.b – *Ring roads in Edmonton and Calgary: Percentage of combined ring road kilometres open to travel*

The measure is based on construction project data supplied by the engineering consultants supervising the ring road construction. The percentage is calculated by totalling the number of kilometres multi-lane roadway opened to travel versus the total kilometres of ring road (178.4 kilometres). Length of Calgary and Edmonton ring roads is estimated based on information from planning studies. When highway is constructed and open to travel, the completion length is calculated using As-Built data. This could cause a small variation between the target and the result.

Measure 2.a – *Physical condition of provincial highway surfaces*

An external consultant is contracted to conduct the collection of data to ensure the objectivity of results.

The identification of highways as *good, fair, or poor* relies on criteria established as a result of the University of Calgary's comprehensive research study on road conditions and other performance measures conducted for the Ministry in 2002.

The study's recommendations resulted in the establishment of condition threshold values. Condition threshold values are defined as the boundary between categories of *good-fair* and *fair-poor*, and are set using a proactive life-cycle analysis approach. The values are categorized by highway classification and are compiled into one-kilometre segments.

Alberta Transportation Standards

Condition	110km/h Highway Group	Other Highway Group
Good	Average IRI <1.5m/km	Average IRI <1.5m/km
Fair	≥1.5m/km Average IRI <1.9m/km	≥1.5m/km Average IRI <2.1m/km
Poor	≥1.9m/km Average IRI	≥2.1m/km Average IRI

These threshold values are the same threshold values identified in the 2002 report. This is for consistency reason in gauging the condition trend over time.

After existing *good, fair, poor* segments are identified, anticipated work activities and pavement deterioration rates are used to determine future performance targets.

The IRI for all highways is obtained through data collected annually by an external consultant for the Ministry.

The consultant calculates the average IRI value over every 50-metre segment of the Alberta highway network. This detailed data is further averaged over one-kilometre sections to provide an assessment of condition over practical lengths.

Measure 3.a – *Client Satisfaction Survey: Percentage of municipal clients satisfied with overall quality of service (biennial survey)*

Transportation's aim is to conduct the client satisfaction survey every second year to measure the satisfaction of municipal partners with the Ministry's service for municipal grant programs.

An external consultant is contracted to conduct the survey to ensure the objectivity of results. Municipal clients are defined as organizations that have interacted with ministry staff regarding municipal grant programs during the survey calendar year, primarily from municipalities and towns.

Respondents are asked to rate on a scale of 1 to 6 (1 being very unsatisfied to 6 being very satisfied) their satisfaction with Municipal Grant Programs on the following eight key service areas:

- Clarity of written materials
- Timeliness of service delivery
- Ease of access to information
- Proficiency of staff
- Ease of access to services
- Courtesy of staff
- Consistency of services
- Overall quality of services

Results reported include all those clients who indicated they were '4 – somewhat satisfied,' '5 – satisfied,' and '6 – very satisfied' with the service provided.

In 2015, there were a total of 165 surveys completed and returned for a response rate of 47.97 per cent.

Data analysis includes cross-tabulation of quantitative data, whereby the frequency and percentage distribution of the results for each question were broken down based on client location and client sector. It also included coding of open-ended questions.

On average, the results are accurate within plus or minus 5.5 per cent, 19 times out of 20.

Measure 4.a – *Combined fatal and major injury collision rate per 100,000 population*

Data for this measure was taken from the Ministry's Alberta Collision Information System (ACIS). The results for the measure are based on a calendar year. Collisions include those that result in the death of a person within 30 days of the collision or in a major injury (persons with injuries or complaint of pain that went to the hospital and were subsequently admitted even if for observation only) to at least one person involved in the collision.

Data is compiled from collision reports completed by the attending law enforcement officer where the collision resulted in death or major injury to at least one person. The final collision rate reported is based on a rolling three-year average. The following calculation is used to determine the individual collision rate for each year: *Number of Combined Fatal and Major Injury Collisions / Population * 100,000*. Rates are then averaged to represent a rolling three-year average using the following calculation:

$$\frac{\text{(Year One Rate per 100,000 Population + Year Two Rate per 100,000 Population + Year Three Rate per 100,000 Population)}}{3}$$

FINANCIAL INFORMATION

Financial Statements for the year ended March 31, 2016

2015-16 TRANSPORTATION ANNUAL

Ministry of Transportation Consolidated Financial Statements

For the year ended March 31, 2016

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AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Transportation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Transportation as at March 31, 2016, and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 6, 2016

Edmonton, Alberta

MINISTRY OF TRANSPORTATION
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2016

	2016		2015
	Budget	Actual	Actual *(Restated Note 3)*
		(in thousands)	
Revenues (Schedule 1)			
Government Transfers - Federal Grants (Note 8)	$ 23,657	$ 23,089	$ 23,919
Premiums, Fees and Licences	33,900	28,714	34,014
Other Revenue	35,695	38,913	27,256
	93,252	90,716	85,189
Expenses - Directly Incurred (Note 2(b) and Schedule 7)			
Program (Schedule 2)			
Ministry Support Services	32,337	31,586	32,527
Program Services and Support	31,202	28,562	24,595
Traffic Safety Services	36,578	32,434	31,313
Alberta Transportation Safety Board	2,360	1,681	1,609
Provincial Highway Maintenance and Preservation	931,048	903,958	962,816
Northeast Alberta Strategic Projects	-	-	61,653
Capital for Emergent Projects Grant Programs	300	100	6,600
Municipal Transportation Grant Programs	215,000	220,476	213,818
Municipal Water Infrastructure Grant Programs	55,000	61,564	82,084
2013 Alberta Flooding: Non Disaster Recovery Program	5,800	2,500	6,497
Debt Servicing	70,741	70,741	71,922
	1,380,366	1,353,602	1,495,434
Annual Deficit	$ (1,287,114)	$ (1,262,886)	$ (1,410,245)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF TRANSPORTATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2016

	2016	2015
		(Restated Note 3)
	(in thousands)	
ASSETS		
Cash and Cash Equivalents	$ 460	$ 410
Accounts Receivable and Advances (Note 4)	49,675	67,144
	$ 50,135	$ 67,554
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 214,852	$ 182,728
Holdbacks Payable	54,429	63,530
Liabilities under Public Private Partnerships (Note 9)	2,080,178	1,964,879
Liabilities for Contaminated Sites (Note 10)	3,561	3,405
	$ 2,353,020	$ 2,214,542
Net Debt	$ (2,302,885)	$ (2,146,988)
Non-Financial Assets		
Tangible Assets Held for Transfer (Note 5)	187,571	183,983
Tangible Capital Assets (Note 6)	18,315,636	17,102,636
Inventories of Supplies	17,292	16,388
	18,520,499	17,303,007
Net Assets Before Deferred Capital Contributions	$ 16,217,613	$ 15,156,019
Spent Deferred Capital Contributions (Note 7)	1,126,877	1,100,679
Net Assets (Liabilities)	$ 15,090,736	$ 14,055,340
Net Assets/(Liabilities) at Beginning of Year	$ 14,055,340	$ 13,285,476
Annual Deficit	(1,262,886)	(1,410,245)
Net Financing Provided from General Revenues	2,298,282	2,180,109
Net Assets/(Liabilities) at End of Year	$ 15,090,736	$ 14,055,340

Contractual obligations and contingent liabilities (Notes 11 and 12)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF TRANSPORTATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2016

	2016		2015
	Budget	Actual	Actual
			(Restated Note 3)
		(in thousands)	
Annual Deficit	$ (1,287,114)	$ (1,262,886)	$ (1,410,245)
Acquisition of Tangible Capital Assets	(1,814,028)	(1,488,722)	(1,144,035)
Amortization of Tangible Capital Assets (Note 11)	479,831	473,916	457,876
(Gain)/ Loss on Sale of Tangible Capital Assets		(1,670)	(78)
Non-Cash Adjustment		992	4,379
Proceeds on Sale of Tangible Capital Assets		1,711	81
Transfer of Tangible Capital Assets to Other Government Entities		(30,027)	7,270
Donated and Contributed Tangible Capital Assets	(48,416)	(29,364)	(16,604)
Fort McMurray Land Exchange		-	9,653
Additions to Public Private Partnerships (Note 9)	(141,442)	(143,423)	(187,145)
Acquisition of Supplies of Inventories	(50,000)	(44,043)	(50,106)
Consumptions of Supplies of Inventories	50,000	43,139	52,629
Change in Spent Deferred Capital Contribution (Note 7)		26,197	70,211
Net Financing Provided from General Revenue		2,298,282	2,180,109
(Increase)/ Decrease in (Net Debt)		(155,897)	(26,004)
(Net Debt) at Beginning of Year		(2,146,988)	(2,120,984)
(Net Debt) at End of Year		$ (2,302,885)	$ (2,146,988)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF TRANSPORTATION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2016

	2016	2015
		(Restated Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (1,262,886)	(1,410,245)
Non-cash items included in Net Operating Results:		
Amortization of Capital Assets and Consumption of Inventory	473,916	457,876
(Gain) on Disposal of Tangible Capital Assets	(1,670)	(78)
Non-Cash Adjustment	992	4,379
Deferred Capital Contribution recognized as Revenue	(28,072)	(26,335)
Grants in Kind	-	61,653
Donated and Contributed Tangible Capital Assets	(29,364)	(16,604)
Valuation Adjustments	156	(126)
	(846,928)	(929,479)
Changes in Working Capital		
(Increase) Decrease in Accounts Receivable	17,470	(14,128)
(Increase) Decrease in Inventories of Supplies	(904)	2,523
Increase(Decrease) in Accounts Payable and Accrued Liabilities	32,124	(114,494)
Increase(Decrease) in Holdbacks Payable	(9,102)	1,117
Increase (Decrease) in Deferred Revenue (Note 7)	-	(1,524)
Cash (Applied to) Provided by Operating Transactions	(807,340)	(1,055,986)
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,488,722)	(1,144,035)
Transfer of Tangible Capital Assets to Other Government Entities [a]	(30,027)	7,270
Proceeds from Disposal/Sale of Tangible Capital Assets	1,711	81
Cash (Applied to) Provided by Capital Transactions	(1,517,038)	(1,136,684)
Financing Transactions		
Repayment of Obligations under Public Private Partnerships	(28,124)	(26,943)
Contribution Restricted for Capital	54,269	98,070
Net Financing Provided from General Revenues [b]	2,298,282	2,121,409
Cash Provided by (Applied to) Financing Transactions	2,324,427	2,192,536
Increase (Decrease) in Cash and Cash Equivalents	50	(134)
Cash and Cash Equivalents, Beginning of Year	410	544
Cash and Cash Equivalents, End of Year	$ 460	$ 410

(a) Capital asset book value of $6.523 million was transferred to the Department of Environment and Parks. In addtion, $36.550 million was transferred from the Department of Infrastructure.

(b) Net Financing Provided from General Revenues in the Statement of Financial Position for 2015 includes a non-cash amount of $58,700 related to land exchange (Note 2(d)).

The accompanying notes and schedules are part of these financial statements.

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Transportation (the ministry) operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The ministry consists of the Department of Transportation and the Alberta Transportation Safety Board. The Department of Transportation:

- Lead the development of a safe, integrated, innovative and sustainable multi-modal (road-rail-air-port-active-public transit) transportation system for Alberta.
- Lead the planning, construction and preservation of our provincial highway network to connect Alberta's communities, and to supports Alberta's economy and quality of life.
- Develop and implement the Alberta Traffic Safety Plan and operate the Office of Traffic Safety to reduce collisions and promote safer road users, vehicles, and infrastructure.
- Manage grant programs to help municipalities develop and preserve their transportation systems and other priority infrastructure for Albertans.
- Design, construct and maintain Alberta's water management infrastructure on behalf of Alberta Environment and Parks.
- Promote Alberta's interests in a safe, integrated, innovative and sustainable transportation system at all levels of government, national and international trade agreements and regulatory harmonization initiatives.

The Alberta Transportation Safety Board:

- Conducts driver review hearings and independent appeals of driver, vehicle and safety decisions from the Registrar of Motor Vehicle Services in accordance with the principles of natural justice.
- Conducts hearings under the Railway (Alberta) Act.

All decisions of the Alberta Transportation Safety Board are made independently in accordance with governing legislation: the *Traffic Safety Act* and the *Railway (Alberta) Act.*

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity and Method of Consolidation

The reporting entity is the Ministry of Transportation for which the Minister of Transportation is accountable. The accounts of the Ministry of Transportation are fully consolidated with the Department of Transportation and the Alberta Transportation Safety Board on a line-by-line basis with the accounting policies described below. Revenue and expense transactions, capital, investing and financing transactions, and related asset and liability balances between the consolidated entities have been eliminated. The ministry Annual Report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the Minister is accountable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from (for) general revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue (deferred capital contributions and unearned revenue) if the terms of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues as the stipulations are met and, when applicable, the department complies with its communicated uses of these transfers.

All other government transfers, without terms for the user of the transfer, are recorded as revenue when the transfer is authorized and the ministry meets the eligibility criteria (if any).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Capital Contributions and Donations

Restricted capital contributions or donations are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Donations are received from individuals, corporations, and private sector not-for-profit organizations. In kind donations of services and materials are recorded at fair value when such value can reasonably be determined.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- government transfers which are transfers of money to an individual, an organization or another government for which the ministry does not receive any goods or services directly in return. The major types of transfers and corresponding recognition criteria are as follows:
  - grants are recognized as expenses when authorized, eligibility criteria, if any are met and a reasonable estimate of the amounts can be made;
  - entitlements, which are non-discretionary because the amounts and recipients are prescribed, are recognized when eligibility occurs;
  - transfers under shared cost agreements, which are reimbursements of eligible expenditures, are recognized when the expenditures occur.

Incurred by Others

Services contributed by related other entities in support of the ministry operations are not recognized and are disclosed in Schedule 5 and allocated to programs in Schedule 6.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the ministry are limited to cash and financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Accounts receivable are recorded at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

Inventories consist of consumables (i.e. salt, sand and gravel) for the delivery of highway transportation programs and are valued at lower of cost or replacement cost.

Assets acquired by right are not included. Tangible capital assets of the ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Disposal of capital assets for nominal sum, often referred to as nominal sum disposal grants, are reported at the book value of the asset.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

Public Private Partnership (P3)

A Public Private Partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not-for-profit partners that meet clearly defined public needs for the provision of goods or services.

The ministry accounts for P3 projects in accordance with the substance of the underlying agreements.

Agreements that transfer substantially all the risks and rewards of ownership of the assets are classified as capital leases and are accounted for as follows:

- The capital asset is valued at the total of progress payments made during construction and net present value of the future payments, discounted using the Government of Alberta's estimated borrowing rate for long term debt at the time of signing the P3 agreement.
- The liability is valued at the net present value of the future payments, discounted using the Government of Alberta's borrowing rate for long term debt at the time of signing the P3 agreement.
- During construction, the capital asset (classified as work-in-progress) and the corresponding liability are recorded based on the estimated percentage complete.
- Amortization on a straight-line basis over the estimated useful life commences when the asset is in service.

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or live organism that exceeds an environmental standard, being introduced into soil or groundwater. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

i. an environmental standard exists.
ii. contamination exceeds the environmental standard.
iii. the ministry is directly responsible or accepts responsibility.
iv. it is expected that future economic benefits will be given up.
v. a reasonable estimate of the amount can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Non Financial Assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

a. are normally employed to deliver government services.
b. may be consumed in the normal course of operations.
c. are not for sale in the normal course of operations.

Non-financial assets of the department are limited to tangible capital assets and inventories of supplies.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, advances, accounts payable, accrued liabilities, and holdbacks are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or costs to estimate the fair value with sufficient reliability.

(c) 2013 Alberta Flooding

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provide financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Ministry of Municipal Affairs through the authority of the *Disaster Recovery Regulation*.

The Ministry of Municipal Affairs reports the DRP expenses and the related revenues from the federal government. No DRP expenses are reported by the Ministry of Transportation.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

		2016	2015
Expenses – 2013 Alberta Flooding			
• Non Disaster Recovery Program Expense	$	2,500	6,497
	$	2,500	6,497

MINISTRY OF TRANSPORTATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(d) Fort McMurray Land Exchange

(in thousands)

The Fort McMurray land exchange is valued at the fair value of the assets exchanged.

The Province has entered into an agreement with the Regional Municipality of Wood Buffalo under which the Province will transfer land assets to the region in exchange for the region providing highway improvements and other services to the Province. The Ministry of Infrastructure holds the land that is exchanged under the agreement. The Ministry of Transportation receives the highway improvements to provincial highways and supports the highway improvements within the Regional Municipality of Wood Buffalo. While the transaction is governed under one agreement, each of the ministries of Infrastructure and Transportation recognize their respective portions of the agreement.

No transactions were recorded by the ministries in 2015-16.

(e) Change in Accounting Policy

A net debt presentation (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net Financial Assets is measured as the difference between the department's financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding an additional Statement of Change in Net Debt.

(f) Future Accounting Changes

In June 2015 the Public Sector Accounting Board issued these following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
  PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights. Management is currently assessing the impact of these standards on the financial statements.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/ or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the financial statements.

PS 3450 Financial Instruments
In June 2011 the Public Sector Accounting Board issued this accounting standard effective April 1, 2019. The ministry has not yet adopted this standard and has the option of adopting it in the fiscal year 2019-20 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601 Foreign Currency Translation; PS 1201 Financial Statement Presentation; and PS 3041 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

MINISTRY OF TRANSPORTATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 3 PROGRAM TRANSFER/GOVERNMENT REORGANIZATIONS

(in thousands)

Effective April 1, 2015 the responsibility for two communication director positions was transferred from the Ministry of Executive Council to the Ministry of Transportation. Also effective April 1, 2015, responsibility for a net of three positions previously providing shared services were transferred from the Ministry of Transportation to the Ministry of Infrastructure.

Comparatives for 2015 have been restated as if the ministry had always been assigned with its current responsibilities. The financial impact of these changes on opening net assets is detailed below:

	As Previously Reported	Transfer from Executive Council	Net Transfer to Infrastructure	As Restated
Expenses				
Ministry Support Services	$ 32,038	$ 286	$ 203	$ 32,527
Net Operating Results	$ (1,409,756)	$ (286)	$ (203)	$ (1,410,245)
Net Assets				
Net Assets at March 31, 2014	$ 13,285,476	$ -	$ -	$ 13,285,476
Less: Adjustments to opening net assets	-	-	-	-
Net Operating Result	(1,409,756)	(286)	(203)	(1,410,245)
Net Financing Provided from General Revenues	2,179,620	286	203	2,180,109
Net Assets at March 31, 2015	$ 14,055,340	$ -	$ -	$ 14,055,340

MINISTRY OF TRANSPORTATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 4 ACCOUNTS RECEIVABLE AND ADVANCES

(in thousands)

Accounts receivable and advances are $49,671 (2015 - $67,140) and $4 (2015 - $4) respectively. The details of accounts receivable are as follows:

	2016			2015
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Transfers from Government of Canada (Note 7)	$ 28,304	$ -	$ 28,304	$ 36,493
Contributions	2,288	-	2,288	12,938
Rental and Other	1,899	-	1,899	88
Fees, Permits and Licenses	2,127	19	2,108	2,534
Cost Recoveries	15,072	-	15,072	15,087
	$ 49,690	$ 19	$ 49,671	$ 67,140
2015 Total	$ 67,154	$ 14		

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 TANGIBLE ASSETS HELD FOR TRANSFER

(in thousands)

Dams and water management structures are constructed by the ministry and transferred to the Ministry of Environment and Parks upon their completion. The Ministry of Transportation does not amortize these assets.

	2016 Historical Cost			
	Beginning of Year	Additions	Transfers, Adjustments, and Write-downs	End of Year
Dams and water management structures	$ 183,983	$ 10,111	$ (6,523)	$ 187,571
2015 Total	$ 170,540	$ 20,496	$ (7,053)	$ 183,983

MINISTRY OF TRANSPORTATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 6 TANGIBLE CAPITAL ASSETS

(in thousands)

The cost of assets and the related accumulated amortization for the ministry are summarized below.

	2016 Historical Cost [1]				
	Estimated Useful Life	**Beginning of Year**	**Additions**	**Disposals, Adjustments, and Write-downs**	**End of Year**
Land	Indefinite	$ 807,531	$ 56,149	$ -	$ 863,680
Buildings	40 years	53,691	2,570	-	56,261
Equipment	5-40 years	9,423	60	(74)	9,409
Computer hardware and software	3-10 years	136,305	3,772	313	140,390
Provincial highways and roads [2]	20-50 years	19,834,377	1,530,253	(985)	21,363,645
Bridges	50 years	2,089,180	58,594	36,508	2,184,282
		$ 22,930,507	$ 1,651,398	$ 35,762	$ 24,617,667
2015 Total		$ 21,622,358	$ 1,320,564	$ (12,415)	$ 22,930,507

	2016 Accumulated Amortization				Net Book Value	
	Beginning of Year	**Amortization Expense**	**Effect of Disposals**	**End of Year**	**March 31, 2016**	**March 31, 2015**
Land	$ -	$ -	$ -	$ -	$ 863,680	$ 807,531
Buildings	26,328	1,573	-	27,901	28,360	1,783
Equipment	4,725	307	(33)	4,999	4,410	4,689
Computer hardware and software	119,005	5,526	277	124,808	15,582	17,300
Provincial highways and roads [2]	5,125,463	419,629	-	5,545,092	15,818,553	14,708,914
Bridges	552,350	46,881	-	599,231	1,585,051	1,536,830
	$ 5,827,871	$ 473,916	$ 244	$ 6,302,031	$ 18,315,636	$ 17,102,636
2015 Total	$ 5,372,851	$ 457,876	$ (2,856)	$ 5,827,871		

MINISTRY OF TRANSPORTATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 6 TANGIBLE CAPITAL ASSETS (continued)
(in thousands)

(1) Included in the cost of land, buildings, equipment, computer hardware and software, provincial highways and roads, and bridges is work in progress amounting to $2,415,389 (2015 - $1,731,574).

(2) Highways include original pavement and repaving overlays that represent improvements, roadbed, drainage works, and traffic control devices. Includes $2,215,360 historical cost (2015 - $2,071,937) and $160,825 accumulated amortization (2015 - $130,079) in alternatively financed capital assets. The additions to work in progress related to new highway construction under Public Private Partnerships (P3) is $318,774 (2015 - $415,952) See Note 9.

NOTE 7 DEFERRED REVENUE
(in thousands)

	2016			2015		
	Federal Government	Other	Total	Federal Government	Other	Total
Unearned revenue (i)	$ -	$ -	$ -	$ -	$ -	$ -
Unspent deferred capital contributions (ii)	-	-	-	-	-	-
Spent deferred capital contributions (iii)	862,201	264,675	1,126,876	861,539	239,140	1,100,679
	$ 862,201	$ 264,675	$ 1,126,876	$ 861,539	$ 239,140	$ 1,100,679
(i) Unearned revenue						
Balance, beginning of year	$ -	$ -	$ -	$ 1,524	$ -	$ 1,524
Received/receivable during year	-	-	-	-	-	-
Less amounts recognized as revenue	-	-	-	(1,524)	-	(1,524)
Balance, end of year	$ -	$ -	$ -	$ -	$ -	$ -
(ii) Unspent deferred capital contribution						
Balance, beginning of year	$ -	$ -	$ -	$ -	$ -	$ -
Contributions received/receivable during year	23,698	30,571	54,269	73,029	25,041	98,070
Transferred to spent deferred capital contributions	(23,698)	(30,571)	(54,269)	(73,029)	(25,041)	(98,070)
Balance, end of year	$ -	$ -	$ -	$ -	$ -	$ -
(iii) Spent deferred capital contributions						
Balance, beginning of year	$ 861,539	$ 239,140	$ 1,100,679	$ 810,382	$ 218,562	$ 1,028,944
Transferred capital assets received/receivable	-	-	-	-	-	-
Transferred from unspent deferred capital contributions	23,698	30,571	54,269	73,029	25,041	98,070
Less amounts recognized as revenue	(23,036)	(5,036)	(28,072)	(21,872)	(4,463)	(26,335)
Balance, end of year	$ 862,201	$ 264,675	$ 1,126,876	$ 861,539	$ 239,140	$ 1,100,679

NOTE 8 GOVERNMENT TRANSFERS – FEDERAL GRANTS

(in thousands)

The ministry receives support for infrastructure from the Government of Canada through the following federal programs: Canada Strategic Infrastructure Fund (CSIF), Provincial Base Fund, Infrastructure Stimulus Fund, and Asia Pacific Gateway and Corridor Transportation Infrastructure Fund. The full cost of provincial projects will be capitalized and amortized over the useful life of the infrastructure. The summary of each federal initiative is as follows:

Capital Federal Grants

Canada Strategic Infrastructure Fund

The Canada Strategic Infrastructure Fund is a program whereby the Federal Government contributes funding to large scale infrastructure projects across the country. In 2014-15, there was one project that the ministry is receiving funding for under CSIF – Highway 63 twinning of approximately 100 kilometers of road to Fort McMurray (up to $150,000 over seven years beginning in 2009-10).

Provincial Base Fund

The Provincial Base Fund is a program whereby the Federal Government contributes funding to the provinces to repair bridges, local roads and secondary highways from 2009 to 2014.

Building Canada Fund

In 2008-09, the Federal Government announced the Building Canada Fund. The Major Infrastructure Component focuses on large, strategic projects of national and regional priority. This program requires a matching provincial contribution.

Infrastructure Stimulus Fund

In 2009-10, the Federal Government established the Infrastructure Stimulus Fund to focus on rehabilitation work needed to maintain the safety and extend the useful life of existing infrastructure while stimulating economic growth in the short term. Funding was only available for projects that were substantially complete by October 31, 2011. This program required matching contribution from the province and municipalities.

Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund

In 2012-13, The Federal Government established the Asia Pacific Gateway and Corridor Transportation Infrastructure Fund to jointly fund the Highway 2 and 41 Avenue SW Intermodal Access Project up to a maximum of $75,000 ending in 2016-17.

Revenue, Deferred Revenue and Accounts Receivable recorded under Government Transfers – Federal Grants are as follows:

MINISTRY OF TRANSPORTATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 8 GOVERNMENT TRANSFERS – FEDERAL GRANTS (continued)

(in thousands)

	2016			2015		
	Revenue	Deferred Revenue	Receivable	Revenue	Deferred Revenue	Receivable
Operating Federal Grants:						
National Safety Council	$ -	$ -	$ -	$ 420	$ -	$ 420
Other	53	-	53	1,627	-	103
Total Operating Federal Grants	**53**	**-**	**53**	**2,047**	**-**	**523**
Capital Federal Grants:						
Canada Strategic Infrastructure Fund	5,995	267,384	-	5,584	273,379	13,465
Provincial Base Fund	7,397	114,100	11,811	7,397	121,497	11,811
Building Canada Fund: Major Infrastructure Component	4,673	218,442	-	4,670	223,114	25
Infrastructure Stimulus Fund	4,221	188,026	69	4,221	192,247	69
Asia Pacific Gateway and Corridor Transportation Infrastructure Fund	750	74,250	16,371	-	51,302	10,600
Total Capital Federal Grants	**23,036**	**862,202**	**28,251**	**21,872**	**861,539**	**35,970**
Total	**$ 23,089**	**$ 862,202**	**$ 28,304**	**$ 23,919**	**$ 861,539**	**$ 36,493**

NOTE 9 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

(in thousands)

The ministry has entered into contracts for the design, finance, build and maintenance of the following public private partnerships: Anthony Henday - South East, North West and North East Edmonton Ring Road, and Stoney Trail - North East and South East Calgary Ring Road.

The details of the 34 year contract for the project that is under construction is as follows:

Project	Contractor	Date contract entered into	Scheduled completion date	Date capital payments begin[(a)]
Anthony Henday – North East Edmonton Ring Road	CAPITAL CITY LINK GENERAL PARTNERSHIP (a consortium of companies)	May 2012	September 2016	October 2016

(a) Capital payments begin on the date specified or upon completion of the project, whichever is later.

The details of the contracts for those projects already operational are as follows:

Project	Contractor	Date contract entered into	Completion date	Date capital payments began
Anthony Henday - South East Edmonton Ring Road	Access Roads Edmonton Ltd. (a consortium of companies)	January 2005	October 2007	November 2007
Stoney Trail - North East Calgary Ring Road	Stoney Trail Group (a consortium of companies)	February 2007	October 2009	November 2009
Anthony Henday - North West Edmonton Ring Road	NORTHWESTCONNECT GENERAL PARTNERSHIP (a consortium of companies)	July 2008	October 2011	November 2011
Stoney Trail - South East Calgary Ring Road	CHINOOK ROADS PARTNERSHIP (a consortium of companies)	March 2010	November 2013	November 2013

The calculation of the liabilities under public private partnerships is as follows:

	2016	2015
Liabilities, beginning of year	$ 1,964,879	$ 1,804,677
Additions to liabilities during the year	143,423	187,145
Principal payments	(28,124)	(26,943)
Liabilities, end of year	$ 2,080,178	$ 1,964,879

NOTE 9 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS (continued)

(in thousands)

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Capital Payments
2016-17	117,565
2017-18	136,265
2018-19	136,265
2019-20	136,265
2020-21	136,265
Thereafter	2,904,967
	$ 3,567,592
Less amount representing interest	(1,487,414)
Total NPV of capital payments at scheduled completion date	$ 2,080,178

NOTE 10 LIABILITY FOR CONTAMINATED SITES

(in thousands)

The composition of liabilities is as follows:

	2016	2015
Liabilities, Beginning of Year	$ 3,405	$ 3,536
Additions to Liabilities during the Year	137	184
Change in estimate related to existing sites	19	(2)
Remediation work performed	0	(313)
Liabilities, End of Year	$ 3,561	$ 3,405

The recorded amount is based on management's estimates and historical costs to remediate or reclaim sites as well as expected expenditures on future reclamation activity.

The ministry has compiled a list of all potential sites and reviews the list at least annually. The site remediation and reclamation liability is recorded when the sites are no longer in operation and where remediation is legally enforceable.

MINISTRY OF TRANSPORTATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 11 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2016	2015
Capital Investment		
Construction Contracts and Service Agreements	$ 909,113	$ 899,144
Expense		
Maintenance Contracts and Service Agreements	604,985	801,545
Grants	813,628	438,527
Obligations under public private partnerships		
Operation and maintenance payments	3,230,413	3,408,608
Progress Payments	95,814	271,165
Capital Payments	78,366	221,791
	$ 5,732,319	$ 6,040,780

Estimated payment requirements for each of the next five years and thereafter as follows:

	Capital Payments	Expense	
	Construction Contracts and Service Agreements	Maintenance Contracts and Service Agreements	Grants
2016-17	$ 716,226	$ 210,952	$ 283,403
2017-18	161,445	101,690	303,443
2018-19	15,214	67,395	226,782
2019-20	8,780	64,626	-
2020-21	4,111	64,436	-
Thereafter	3,337	95,886	-
	$ 909,113	$ 604,985	$ 813,628

NOTE 11 CONTRACTUAL OBLIGATIONS (continued)

(in thousands)

	Operation, Maintenance and Rehabilitation Payments	Progress Payments	Capital Payments
2016-17	$ 61,539	$ 95,814	2,161
2017-18	72,134	-	4,322
2018-19	78,695	-	4,322
2019-20	74,515	-	4,322
2020-21	77,618	-	4,322
Thereafter	2,865,912	-	110,222
	$ 3,230,413	$ 95,814	$ 129,671
Less amount representing interest			(51,305)
Total NPV of capital payments at scheduled completion date			$ 78,366

NOTE 12 CONTINGENT LIABILITIES

(in thousands)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities. Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2016 accruals totaling $31,772 (2015 - $23,512) have been recorded as a liability. The total amount claimed for all likely claims is $205,431 (2015 - $167,387). Included in the total likely claims are claims in which the ministry has been jointly named with other ministries. The accrual provided for these claims represents the ministry's portion of the liability. Included in the total likely claims are claims covered in whole or in part by the Alberta Risk Management Fund. The resulting additional liability, if any, from likely claims in excess of the amounts accrued is not determinable.

The ministry has been named in one hundred and seven (2015 – one hundred) claims of which the outcome is not determinable. Of these claims, ninety-seven (2015 – eighty-one) have specified amounts totaling $5,653,710 (2015 – $5,559,086). The remaining ten (2015 – nineteen) claims have no amounts specified. Included in the total claims, forty-two claims totaling $58,384 (2015 – thirty-nine claims totaling $52,774) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 13 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's financial statements.

At March 31, 2016 trust funds under the administration were as follows:

	2016	2015
Impaired Driving Initiatives Trust Fund	$ 654	$ 607
	$ 654	$ 607

The Impaired Driving Initiatives Trust Fund holds fines from individuals convicted of impaired driving. Trust funds are used for education programs.

NOTE 14 PAYMENTS UNDER AGREEMENT

(in thousands)

The ministry has entered into agreements to deliver programs and services that are partly funded by the Government of Canada, the Kananaskis Improvement District and private companies. Costs incurred under these agreements are made by the ministry under authority in Section 25 of the *Financial Administration Act.*

Amounts paid and payable under agreements with program sponsors are as follows:

	2016	2015
Japan Canada Oil Sands Limited (program sponsor) Roadway construction	$ 5,340	$ 4,241
Kananaskis Improvement District (program sponsor) Roadway maintenance	73	73
	$ 5,413	$ 4,314

NOTE 15 BENEFIT PLANS

(in thousands)

The ministry participates in the multi-employer pension plans: Management Employee Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense of these pension plans is equivalent to the annual contributions of $10,047 for the year ended March 31, 2016 (2015 - $9,215). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2015, the Management Employees Pension Plan reported a surplus of $299,051 (2014 - surplus $75,805) and the Public Service Pension Plan reported a deficiency of $133,188 (2014 - deficiency $803,299) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $16,305 (2014 - deficiency $17,203).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2016, the Bargaining Unit Plan reported an actuarial surplus of $83,006 (2015 – surplus $86,888) and the Management, Opted Out and Excluded Plan an actuarial surplus of $29,246 (2015– surplus $32,343). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 16 SUBSEQUENT EVENT

In May 2016, wildfires seriously affected Fort McMurray and surrounding communities. The government is in the process of providing financial assistance for uninsurable loss and damage through its Disaster Recovery Programs (DRP). The DRP is administered and funded by Alberta Emergency Management Agency through the authority of the Disaster Recovery Regulation.

The Province, subject to certain criteria, may recover part of the above costs from the federal government through the Disaster Financial Assistance Arrangement, pending approval through its Order in Council.

The financial impact on the government ministry may be significant but is uncertain at this stage.

NOTE 17 COMPARATIVE FIGURES

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

NOTE 18 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the senior financial officer and the deputy minister.

MINISTRY OF TRANSPORTATION
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED REVENUES
Year ended March 31, 2016

Schedule 1

	2016		2015
	Budget	Actual	Actual
		(in thousands)	
Government Transfers - Federal Grants			
Building Canada - Base Component	7,397	7,397	7,397
Building Canada - Major Infrastructure Component	4,868	4,673	4,669
Canadian Strategic Infrastructure Fund	5,995	5,995	5,585
Infrastructure Stimulus Fund	4,221	4,221	4,221
Asia Pacific Gateway	-	750	
Other	1,176	53	2,047
	23,657	23,089	23,919
Premiums, Fees and Licenses			
Motor Transport Services & Other Premiums	33,900	28,714	34,014
Other Revenue			
Refunds of Expenditure	1,475	4,467	6,272
Tourism Highway Signage Initiative	1,000	501	649
Cost Recoveries	5,000	8,716	9,819
Contributions	22,639	15,262	2,114
Donated Tangible Capital Assets	2,436	2,353	2,349
Gain from Disposals of Tangible Capital Assets	-	1,705	78
Miscellaneous	3,145	5,909	5,976
	35,695	38,913	27,256
	$ 93,252	$ 90,716	$ 85,189

MINISTRY OF TRANSPORTATION **Schedule 2**

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 76,740	$ 72,019	$ 67,441
Supplies and Services	420,997	405,108	468,304
Grants	277,447	285,822	370,670
Financial Transactions and Other	75,351	73,597	78,514
Amortization of Tangible Capital Assets and Consumption of Inventory	529,831	517,056	510,505
	$ 1,380,366	$ 1,353,602	$ 1,495,434

MINISTRY OF TRANSPORTATION **Schedule 3**

SCHEDULE TO CONSOLDIATED FINANCIAL STATEMENTS
CONSOLIDATED LOTTERY FUND ESTIMATES
Year ended March 31, 2016

	2015-16 Lottery Fund Estimates	2015-16 Actual	*Unexpended (Over Expended)*
		(in thousands)	
Provincial Highway Preservation	$ 40,000	$ 28,200	$ 11,800
	$ 40,000	$ 28,200	$ 11,800

This table shows details of the initiatives within the ministry that are funded by the Lottery Fund and compares it to the actual results.

Schedule 4

MINISTRY OF TRANSPORTATION
SCHEDULE OF FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year Ended March 31, 2016

	2016				2015
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Deputy Minister (4) (5)	$ 290,227	$ -	$ 74,552	$ 364,779	$511,700
Chair, Alberta Transportation Safety Board	195,338	-	55,798	251,136	190,935
Assistant Deputy Ministers					
Safety, Policy and Engineering	203,454	15,416	53,962	272,832	261,897
Delivery Services	201,665	-	50,913	252,578	239,029
Corporate Services and Information	190,383	150	51,002	241,535	220,990
Flood Recovery Task Force (6)	-	-	-	-	25,944
Executive Directors					
Finance (7)	137,919	-	35,719	173,638	44,323
Human Resources	139,265	-	39,038	178,303	170,537

(1) Base salary includes regular salary and earnings such as acting pay.
(2) Other cash benefits include vacation payouts, lump sum payments and milestone awards. There were no bonuses paid in 2016.
(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.
(4) Automobile provided to current incumbent, no dollar amount included in other non-cash benefits.
(5) The position was occupied by two individuals at different times during the year and changed on July 5, 2015.
(6) Position was deleted on May 3, 2014.
(7) The position was occupied by two individuals at different times during the year. Position was vacant from December 7, 2015 to January 31, 2016.

MINISTRY OF TRANSPORTATION
SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED RELATED PARTY TRANSACTIONS
Year ended March 31, 2016

(in thousands)

Schedule 5

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2016	2015
Expenses - Directly Incurred		
Business and Technology Services	$ 2,643	$ 2,771
SUCH[(1)] Sector Entities	614	323
Insurance	348	388
Air Maps and Photos	5	3
	$ 3,610	$ 3,485
Net Tangible Capital Assets Transferred	$ (30,207)	$ 7,270

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These expense amounts are not recorded in the financial statements but are disclosed in Schedule 6.

	Other Entities	
	2016	2015
Revenue		
Road/Bridge Maintenance	$ 3,479	$ 5,794
Expenses - Incurred by Others (Schedule 7)		
Accommodation	$ 8,434	$ 8,345
Air Transportation/Executive Vehicles	-	60
Business Services	4,642	4,614
Internal Audit	70	-
Legal Services	1,397	1,448
	$ 14,543	$ 14,467

(1) SUCH - Schools, Universities, Colleges and Hospitals

MINISTRY OF TRANSPORTATION **Schedule 6**

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED ALLOCATED COSTS

Year ended March 31, 2016

(in thousands)

	2016					2015
		Expenses - Incurred by Others				
Program	Expenses [1]	Accommodation Costs [2]	Business Services [3]	Legal Services [4]	Total Expenses	Total Expenses
Ministry Support Services	$ 31,586	$ 1,569	$ 4,642	$ 259	$ 38,056	$ 38,460
Program Services and Support	$ 28,562	4,148	-	232	32,942	28,846
Traffic Safety Services	$ 32,434	2,618	-	900	35,952	34,999
Alberta Transportation Safety Board	$ 1,681	98	-	6	1,785	1,717
Provincial Highway Maintenance and Preservation	$ 903,958	-	-	-	903,958	962,816
Northeast Alberta Strategic Projects	$ -	-	-	-	-	61,653
Capital for Emergent Projects Grant Programs	$ 100	-	-	-	100	6,600
Municipal Transportation Grant Programs	$ 220,476	-	-	-	220,476	213,818
Municipal Water Infrastructure Grant Programs	$ 61,564	-	-	-	61,564	82,084
2013 Alberta Flooding: Non Disaster Recovery Program	$ 2,500	-	-	-	2,500	6,497
Debt Servicing	$ 70,741	-	-	-	70,741	71,922
	$ 1,353,602	$ 8,433	$ 4,642	$ 1,397	$ 1,368,074	$ 1,509,412

(1) Expenses - Directly Incurred as per Statement of Operations.

(2) Cost shown for Accommodation (includes grants in lieu of taxes) on Schedule 5, allocated by number of employees in program.

(3) Costs shown for Business Services include charges for financial and information technology support, internal audit and vehicles and air transportation.

(4) Cost shown for Legal Services on Schedule 5, allocated by estimated costs incurred by each program.

Department of Transportation Financial Statements

For the year ended March 31, 2016

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AUDITOR
GENERAL
Alberta

Independent Auditor's Report

To the Minister of Transportation

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Transportation, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Transportation as at March 31, 2016, and the results of its operations, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 6, 2016

Edmonton, Alberta

DEPARTMENT OF TRANSPORTATION
STATEMENT OF OPERATIONS
Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual (Restated Note 3)
	(in thousands)		
Revenues (Schedule 1)			
Government Transfers - Federal Grants (Note 8)	$ 23,657	$ 23,089	$ 23,919
Premiums, Fees and Licences	33,900	28,714	34,014
Other	35,695	38,913	27,256
	93,252	90,716	85,189
Expenses - Directly Incurred (Note 2(b), Schedules 3, 4 and 8)			
Program			
Ministry Support Services	32,337	31,586	32,527
Program Services and Support	31,202	28,562	24,595
Traffic Safety Services	36,578	32,434	31,313
Grant to Alberta Transportation Safety Board	2,360	2,360	2,472
Provincial Highway Maintenance and Preservation	931,048	903,958	962,816
Northeast Alberta Strategic Projects	-	-	61,653
Capital for Emergent Projects Grant Programs	300	100	6,600
Municipal Transportation Grant Programs	215,000	220,476	213,818
Municipal Water Infrastructure Grant Programs	55,000	61,564	82,084
2013 Alberta Flooding: Non Disaster Recovery Program	5,800	2,500	6,497
Debt Servicing	70,741	70,741	71,922
	1,380,366	1,354,281	1,496,297
Annual Deficit	$ (1,287,114)	$ (1,263,565)	$ (1,411,108)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF TRANSPORTATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2016

	2016	2015 *(Restated Note 3)*
	(in thousands)	
Financial Assets		
Cash and Cash Equivalents	$ 460	$ 410
Accounts Receivable and Advances (Note 4)	49,675	67,144
	50,135	67,554
Liabilities		
Accounts Payable and Accrued Liabilities	214,694	182,581
Holdbacks Payable	54,429	63,530
Liabilities under Public Private Partnerships (Note 9)	2,080,178	1,964,879
Liabilities for Contaminated Sites (Note 10)	3,561	3,405
	2,352,862	2,214,395
Net Debt	(2,302,727)	(2,146,841)
Non-Financial Assets		
Tangible Assets Held for Transfer (Note 5)	187,571	183,983
Tangible Capital Assets (Note 6)	18,315,636	17,102,636
Inventories of Supplies	17,292	16,388
	18,520,499	17,303,007
Net Assets Before Deferred Capital Contributions	16,217,771	15,156,166
Spent Deferred Capital Contributions (Note 7)	1,126,877	1,100,679
Net Assets (Liabilities)	$ 15,090,894	$ 14,055,487

	2016	2015
Net Assets/(Liabilities) at Beginning of Year	$ 14,055,487	$ 13,285,647
Annual Deficit	(1,263,565)	(1,411,108)
Net Financing Provided from (for) General Revenues	2,298,972	2,180,948
Net Assets/(Liabilities) at End of Year	$ 15,090,894	$ 14,055,487

Contractual obligations and contingent liabilities (Notes 11 and 12)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF TRANSPORTATION
STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2016

	2016		2015
	Budget	Actual	Actual *(Restated Note 3)*
		(in thousands)	
Annual Deficit	$ (1,287,114)	$ (1,263,565)	$ (1,411,108)
Acquisition of Tangible Capital Assets	(1,814,028)	(1,488,722)	(1,144,035)
Amortization of Tangible Capital Assets (Note 6)	479,831	473,916	457,876
(Gain)/ Loss on Sale of Tangible Capital Assets		(1,670)	(78)
Non-Cash Adjustment		992	4,380
Proceeds on Sale of Tangible Capital Assets		1,711	81
Transfer of Tangible Capital Assets to Other Government Entities		(30,027)	7,270
Donated and Contributed Tangible Capital Assets	(48,416)	(29,364)	(16,604)
Fort McMurray Land Exchange		-	9,653
Additions to Public Private Partnerships (Note 9)	(141,442)	(143,423)	(187,145)
Acquisition of Supplies of Inventories	(50,000)	(44,043)	(50,106)
Consumptions of Supplies of Inventories	50,000	43,139	52,629
Change in Spent Deferred Capital Contribution (Note 7)		26,197	70,211
Net Financing Provided from General Revenue		2,298,972	2,180,948
(Increase)/ Decrease in (Net Debt)		$ (155,886)	$ (26,029)
(Net Debt) at Beginning of Year		(2,146,841)	(2,120,812)
(Net Debt) at End of Year		$ (2,302,727)	$ (2,146,841)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF TRANSPORTATION
STATEMENT OF CASH FLOWS
Year ended March 31, 2016

	2016	2015 *(Restated Note 3)*
	(in thousands)	
Operating Transactions		
Annual Deficit	$ (1,263,565)	$ (1,411,108)
Non-cash items included in Net Operating Results:		
Amortization of Capital Assets	473,916	457,876
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,670)	(78)
Non-Cash Adjustment	992	4,380
Deferred Capital Contribution recognized as Revenue	(28,072)	(26,335)
Grants in Kind	-	61,653
Donated and Contributed Tangible Capital Assets	(29,364)	(16,604)
Valuation Adjustments	156	(131)
	(847,607)	(930,347)
Changes in Working Capital		
(Increase) Decrease in Accounts Receivable	17,470	(14,128)
(Increase) Decrease in Inventories of Supplies	(904)	2,523
Increase(Decrease) in Accounts Payable and Accrued Liabilities	32,113	(114,465)
Increase(Decrease) in Holdbacks Payable	(9,102)	1,117
Increase (Decrease) in Deferred Revenue (Note 7)	-	(1,524)
Cash (Applied to) Provided by Operating Transactions	(808,030)	(1,056,824)
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,488,722)	(1,144,035)
Transfer of Tangible Capital Assets to Other Government Entities [(a)]	(30,027)	7,270
Proceeds from Disposal of Tangible Capital Assets	1,711	81
Cash (Applied to) Provided by Capital Transactions	(1,517,038)	(1,136,684)
Financing Transactions		
Repayment of Obligations under Public Private Partnerships	(28,124)	(26,943)
Contribution Restricted for Capital	54,269	98,070
Net Financing Provided from General Revenues [(b)]	2,298,972	2,122,248
Cash Provided by (Applied to) Financing Transactions	2,325,117	2,193,375
Increase (Decrease) in Cash and Cash Equivalents	50	(134)
Cash and Cash Equivalents, Beginning of Year	410	544
Cash and Cash Equivalents, End of Year	$ 460	$ 410

(a) Capital asset book value of $6.523 million was transferred to the Department of Environment and Parks. In addtion, $36.550 million was transferred from the Department of Infrastructure.

(b) Net Financing Provided from General Revenues in the Statement of Financial Position for 2015 includes a non-cash amount of $58,700 related to land exchange (Note 2(d)).

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 AUTHORITY AND PURPOSE

The Department of Transportation (the department) operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The Department of Transportation:

- Lead the development of a safe, integrated, innovative and sustainable multi-modal (road-rail-air-port-active-public transit) transportation system for Alberta.
- Lead the planning, construction and preservation of our provincial highway network to connect Alberta's communities, and to supports Alberta's economy and quality of life.
- Develop and implement the Alberta Traffic Safety Plan and operate the Office of Traffic Safety to reduce collisions and promote safer road users, vehicles, and infrastructure.
- Manage grant programs to help municipalities develop and preserve their transportation systems and other priority infrastructure for Albertans.
- Design, construct and maintain Alberta's water management infrastructure on behalf of Alberta Environment and Parks.
- Promote Alberta's interests in a safe, integrated, innovative and sustainable transportation system at all levels of government, national and international trade agreements and regulatory harmonization initiatives.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Transportation, which is part of the Ministry of Transportation for which the Minister of Transportation is accountable. Other entity reporting to the Minister is the Alberta Transportation Safety Board. The activities of this organization are not included in these financial statements. The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from (for) general revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue (deferred capital contributions and unearned revenue) if the terms of the transfer, or the stipulations together with the department's actions and communications as to the use of transfers create a liability. These transfers are recognized as revenues as the stipulations are met and, when applicable, the department complies with its communicated uses of these transfers.

All other government transfers, without terms for the user of the transfer, are recorded as revenue when the transfer is authorized and the department meets the eligibility criteria (if any).

Capital Contributions and Donations

Restricted capital contributions or donations are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Donations are received from individuals, corporations, and private sector not-for-profit organizations. In kind donations of services and materials are recorded at fair value when such value can reasonably be determined.

Credit or Recovery

Credit or recovery initiatives provide a basis for authorizing spending. Credits or recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's credit or recovery initiatives.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.
- government transfers which are transfers of money to an individual, an organization or another government for which the department does not receive any goods or services directly in return. The major types of transfers and corresponding recognition criteria are as follows:
    - grants are recognized as expenses when authorized, eligibility criteria, if any are met and a reasonable estimate of the amounts can be made;
    - entitlements, which are non-discretionary because the amounts and recipients are prescribed, are recognized when eligibility occurs;
    - transfers under shared cost agreements, which are reimbursements of eligible expenditures, are recognized when the expenditures occur.

Incurred by Others

Services contributed by related other entities in support of the department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to cash and financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Accounts receivable are recorded at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

Inventories consist of consumables (i.e. salt, sand and gravel) for the delivery of highway transportation programs and are valued at lower of cost or replacement cost.

Assets acquired by right are not included. Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Disposal of capital assets for nominal sum, often referred to as nominal sum disposal grants, are reported at the book value of the asset.

Liabilities

Liabilities are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Public Private Partnership (P3)

A Public Private Partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not-for-profit partners that meet clearly defined public needs for the provision of goods or services.

The department accounts for P3 projects in accordance with the substance of the underlying agreements.

Agreements that transfer substantially all the risks and rewards of ownership of the assets are classified as capital leases and are accounted for as follows:

- The capital asset is valued at the total of progress payments made during construction and net present value of the future payments, discounted using the Government of Alberta's estimated borrowing rate for long term debt at the time of signing of the P3 agreement.
- The liability is valued at the net present value of the future payments, discounted using the Government of Alberta's borrowing rate for long term debt at the time of signing of the P3 agreement.
- During construction, the capital asset (classified as work-in-progress) and the corresponding liability are recorded based on the estimated percentage complete.
- Amortization on a straight-line basis over the estimated useful life commences when the asset is in service.

Liability for Contaminated Sites

Contaminated sites are a result of contamination of a chemical, organic or live organism that exceeds an environmental standard, being introduced into soil or groundwater. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

i. an environmental standard exists.
ii. contamination exceeds the environmental standard.
iii. the department is directly responsible or accepts responsibility.
iv. it is expected that future economic benefits will be given up.
v. a reasonable estimate of the amount can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Non Financial Assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

a. are normally employed to deliver government services.
b. may be consumed in the normal course of operations.
c. are not for sale in the normal course of operations.

Non-financial assets of the department are limited to tangible capital assets and inventories of supplies.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, advances, accounts payable, accrued liabilities, and holdbacks are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or costs to estimate the fair value with sufficient reliability.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(c) 2013 Alberta Flooding

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provide financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Department of Municipal Affairs through the authority of the *Disaster Recovery Regulation*.

The Department of Municipal Affairs reports the DRP expenses and the related revenues from the federal government. No DRP expenses are reported by the Department of Transportation.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

		2016	2015
Expenses – 2013 Alberta Flooding			
• Non Disaster Recovery Program Expense	$	2,500	6,497
	$	2,500	6,497

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(d) Fort McMurray Land Exchange

(in thousands)

The Fort McMurray land exchange is valued at the fair value of the assets exchanged.

The Province has entered into an agreement with the Regional Municipality of Wood Buffalo under which the Province will transfer land assets to the region in exchange for the region providing highway improvements and other services to the Province. The Ministry of Infrastructure holds the land that is exchanged under the agreement. The Ministry of Transportation receives the highway improvements to provincial highways and supports the highway improvements within the Regional Municipality of Wood Buffalo. While the transaction is governed under one agreement, each of the ministries of Infrastructure and Transportation recognize their respective portions of the agreement.

No transactions were recorded by the ministries in 2015-16.

(e) Change in Accounting Policy

A net debt presentation (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net Financial Assets is measured as the difference between the department's financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding an additional Statement of Change in Net Debt.

(f) Future Accounting Changes

In June 2015 the Public Sector Accounting Board issued these following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

- **PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)**
  PS 3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights. Management is currently assessing the impact of these standards on the financial statements.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/ or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the financial statements.

PS 3450 Financial Instruments
In June 2011 the Public Sector Accounting Board issued this accounting standard effective April 1, 2019. The department has not yet adopted this standard and has the option of adopting it in the fiscal year 2019-20 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601 Foreign Currency Translation; PS 1201 Financial Statement Presentation; and PS 3041 Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 3 PROGRAM TRANSFER

(in thousands)

Effective April 1, 2015 the responsibility for two communication director positions was transferred from the Ministry of Executive Council to the Ministry of Transportation. Also effective April 1, 2015, responsibility for a net of three positions previously providing shared services were transferred from the Ministry of Transportation to the Ministry of Infrastructure.

Comparatives for 2015 have been restated as if the department had always been assigned with its current responsibilities. The financial impact of these changes on opening net assets is detailed below:

	As Previously Reported	Transfer from Executive Council	Net Transfer to Infrastructure	As Restated
Expenses				
Ministry Support Services	$ 32,038	$ 286	$ 203	$ 32,527
Net Operating Results	$ (1,410,619)	$ (286)	$ (203)	$ (1,411,108)
Net Assets				
Net Assets at March 31, 2014	$ 13,285,647	$ -	$ -	$ 13,285,647
Less: Adjustments to opening net assets	-	-	-	-
Net Operating Result	(1,410,619)	(286)	(203)	(1,411,108)
Net Financing Provided from General Revenues	2,180,459	286	203	2,180,948
Net Assets at March 31, 2015	$ 14,055,487	$ -	$ -	$ 14,055,487

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 4 ACCOUNTS RECEIVABLE AND ADVANCES

(in thousands)

Accounts receivable and advances are $49,671 (2015 - $67,140) and $4 (2015 - $4) respectively. The details of accounts receivable are as follows:

	2016			2015
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Transfers from Government of Canada (Note 7)	$ 28,304	$ -	$ 28,304	$ 36,493
Contributions	2,288	-	2,288	12,938
Rental and Other	1,897	-	1,897	88
Fees, Permits and Licenses	2,127	19	2,108	2,534
Cost Recoveries	15,074	-	15,074	15,087
	$ 49,690	$ 19	$ 49,671	$ 67,140
2015 Total	$ 67,154	$ 14		

Accounts receivable are unsecured and non-interest bearing.

NOTE 5 TANGIBLE ASSETS HELD FOR TRANSFER

(in thousands)

Dams and water management structures are constructed by the department and transferred to the Department of Environment and Parks upon their completion. The Department of Transportation does not amortize these assets.

	2016 Historical Cost			
	Beginning of Year	Additions	Transfers, Adjustments, and Write-downs	End of Year
Dams and water management structures	$ 183,983	$ 10,111	$ (6,523)	$ 187,571
2015 Total	$ 170,540	$ 20,496	$ (7,053)	$ 183,983

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 6 TANGIBLE CAPITAL ASSETS
(in thousands)

The cost of assets and the related accumulated amortization for the department are summarized below.

	2016 Historical Cost [1]				
	Estimated Useful Life	Beginning of Year	Additions	Disposals, Adjustments, and Write-downs	End of Year
Land	Indefinite	$ 807,531	$ 56,149	$ -	$ 863,680
Buildings	40 years	53,691	2,570	-	56,261
Equipment	5-40 years	9,423	60	(74)	9,409
Computer hardware and software	3-10 years	136,305	3,772	313	140,390
Provincial highways and roads [2]	20-50 years	19,834,377	1,530,253	(985)	21,363,645
Bridges	50 years	2,089,180	58,594	36,508	2,184,282
		$ 22,930,507	$ 1,651,398	$ 35,762	$ 24,617,667
2015 Total		$ 21,622,358	$ 1,320,564	$ (12,415)	$ 22,930,507

	2016 Accumulated Amortization				Net Book Value	
	Beginning of Year	Amortization Expense	Effect of Disposals	End of Year	March 31, 2016	March 31, 2015
Land	$ -	$ -	$ -	$ -	$ 863,680	$ 807,531
Buildings	26,328	1,573	-	27,901	28,360	1,783
Equipment	4,725	307	(33)	4,999	4,410	4,689
Computer hardware and software	119,005	5,526	277	124,808	15,582	17,300
Provincial highways and roads [2]	5,125,463	419,629	-	5,545,092	15,818,553	14,708,914
Bridges	552,350	46,881	-	599,231	1,585,051	1,536,830
	$ 5,827,871	$ 473,916	$ 244	$ 6,302,031	$ 18,315,636	$ 17,102,636
2015 Total	$ 5,372,851	$ 457,876	$ (2,856)	$ 5,827,871		

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 6 TANGIBLE CAPITAL ASSETS (continued)

(in thousands)

(1) Included in the cost of land, buildings, equipment, computer hardware and software, provincial highways and roads, and bridges is work in progress amounting to $2,415,389 (2015 - $1,731,574).

(2) Highways include original pavement and repaving overlays that represent improvements, roadbed, drainage works, and traffic control devices. Includes $2,215,360 historical cost (2015 - $2,071,937) and $160,825 accumulated amortization (2015 - $130,079) in alternatively financed capital assets. The additions to work in progress related to new highway construction under Public Private Partnerships (P3) is $318,774 (2015 - $415,952) See Note 9.

NOTE 7 DEFERRED REVENUE

(in thousands)

	2016			2015		
	Federal Government	Other	Total	Federal Government	Other	Total
Unearned revenue (i)	$ -	$ -	$ -	$ -	$ -	$ -
Unspent deferred capital contributions (ii)	-	-	-	-	-	-
Spent deferred capital contributions (iii)	862,201	264,675	1,126,876	861,539	239,140	1,100,679
	$ 862,201	$ 264,675	$ 1,126,876	$ 861,539	$ 239,140	$ 1,100,679
(i) Unearned revenue						
Balance, beginning of year	$ -	$ -	$ -	$ 1,524	$ -	$ 1,524
Received/receivable during year	-	-	-	-	-	-
Less amounts recognized as revenue	-	-	-	(1,524)	-	(1,524)
Balance, end of year	$ -	$ -	$ -	$ -	$ -	$ -
(ii) Unspent deferred capital contribution						
Balance, beginning of year	$ -	$ -	$ -	$ -	$ -	$ -
Contributions received/receivable during year	23,698	30,571	54,269	73,029	25,041	98,070
Transferred to spent deferred capital contributions	(23,698)	(30,571)	(54,269)	(73,029)	(25,041)	(98,070)
Balance, end of year	$ -	$ -	$ -	$ -	$ -	$ -
(iii) Spent deferred capital contributions						
Balance, beginning of year	$ 861,539	$ 239,140	$ 1,100,679	$ 810,382	$ 218,562	$ 1,028,944
Transferred capital assets received/receivable	-	-	-	-	-	-
Transferred from unspent deferred capital contributions	23,698	30,571	54,269	73,029	25,041	98,070
Less amounts recognized as revenue	(23,036)	(5,036)	(28,072)	(21,872)	(4,463)	(26,335)
Balance, end of year	$ 862,201	$ 264,675	$ 1,126,876	$ 861,539	$ 239,140	$ 1,100,679

NOTE 8 GOVERNMENT TRANSFERS – FEDERAL GRANTS

(in thousands)

The department receives support for infrastructure from the Government of Canada through the following federal programs: Canada Strategic Infrastructure Fund (CSIF), Provincial Base Fund, Infrastructure Stimulus Fund, and Asia Pacific Gateway and Corridor Transportation Infrastructure Fund. The full cost of provincial projects will be capitalized and amortized over the useful life of the infrastructure. The summary of each federal initiative is as follows:

Capital Federal Grants

Canada Strategic Infrastructure Fund

The Canada Strategic Infrastructure Fund is a program whereby the Federal Government contributes funding to large scale infrastructure projects across the country. In 2014-15, there was one project that the department is receiving funding for under CSIF – Highway 63 twinning of approximately 100 kilometers of road to Fort McMurray (up to $150,000 over seven years beginning in 2009-10).

Provincial Base Fund

The Provincial Base Fund is a program whereby the Federal Government contributes funding to the provinces to repair bridges, local roads and secondary highways from 2009 to 2014.

Building Canada Fund

In 2008-09, the Federal Government announced the Building Canada Fund. The Major Infrastructure Component focuses on large, strategic projects of national and regional priority. This program requires a matching provincial contribution.

Infrastructure Stimulus Fund

In 2009-10, the Federal Government established the Infrastructure Stimulus Fund to focus on rehabilitation work needed to maintain the safety and extend the useful life of existing infrastructure while stimulating economic growth in the short term. Funding was only available for projects that were substantially complete by October 31, 2011. This program required matching contribution from the province and municipalities.

Asia-Pacific Gateway and Corridor Transportation Infrastructure Fund

In 2012-13, The Federal Government established the Asia Pacific Gateway and Corridor Transportation Infrastructure Fund to jointly fund the Highway 2 and 41 Avenue SW Intermodal Access Project up to a maximum of $75,000 ending in 2016-17.

Revenue, Deferred Revenue and Accounts Receivable recorded under Government Transfers – Federal Grants are as follows:

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 8 GOVERNMENT TRANSFERS – FEDERAL GRANTS (continued)

(in thousands)

	2016			2015		
	Revenue	Deferred Revenue	Receivable	Revenue	Deferred Revenue	Receivable
Operating Federal Grants:						
National Safety Council	$ -	$ -	$ -	$ 420	$ -	$ 420
Other	53	-	53	1,627	-	103
Total Operating Federal Grants	**53**	**-**	**53**	**2,047**	**-**	**523**
Capital Federal Grants:						
Canada Strategic Infrastructure Fund	5,995	267,384	-	5,584	273,379	13,465
Provincial Base Fund	7,397	114,100	11,811	7,397	121,497	11,811
Building Canada Fund: Major Infrastructure Component	4,673	218,442	-	4,670	223,114	25
Infrastructure Stimulus Fund	4,221	188,026	69	4,221	192,247	69
Asia Pacific Gateway and Corridor Transportation Infrastructure Fund	750	74,250	16,371	-	51,302	10,600
Total Capital Federal Grants	**23,036**	**862,202**	**28,251**	**21,872**	**861,539**	**35,970**
Total	**$ 23,089**	**$ 862,202**	**$ 28,304**	**$ 23,919**	**$ 861,539**	**$ 36,493**

NOTE 9 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

(in thousands)

The department has entered into contracts for the design, finance, build and operation of the following public private partnerships: Anthony Henday - South East, North West and North East Edmonton Ring Road, and Stoney Trail - North East and South East Calgary Ring Road.

The details of the 34 year contract for the project that is under construction is as follows:

Project	Contractor	Date contract entered into	Scheduled completion date	Date capital payments begin[a]
Anthony Henday – North East Edmonton Ring Road	CAPITAL CITY LINK GENERAL PARTNERSHIP (a consortium of companies)	May 2012	September 2016	October 2016

(a) Capital payments begin on the date specified or upon completion of the project, whichever is later.

The details of the contracts for those projects already operational are as follows:

Project	Contractor	Date contract entered into	Completion date	Date capital payments began
Anthony Henday - South East Edmonton Ring Road	Access Roads Edmonton Ltd. (a consortium of companies)	January 2005	October 2007	November 2007
Stoney Trail - North East Calgary Ring Road	Stoney Trail Group (a consortium of companies)	February 2007	October 2009	November 2009
Anthony Henday - North West Edmonton Ring Road	NORTHWESTCONNECT GENERAL PARTNERSHIP (a consortium of companies)	July 2008	October 2011	November 2011
Stoney Trail - South East Calgary Ring Road	CHINOOK ROADS PARTNERSHIP (a consortium of companies)	March 2010	November 2013	November 2013

The calculation of the liabilities under public private partnerships is as follows:

	2016	2015
Liabilities, beginning of year	$ 1,964,879	$ 1,804,677
Additions to liabilities during the year	143,423	187,145
Principal payments	(28,124)	(26,943)
Liabilities, end of year	$ 2,080,178	$ 1,964,879

NOTE 9 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS (continued)

(in thousands)

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Capital Payments
2016-17	117,565
2017-18	136,265
2018-19	136,265
2019-20	136,265
2020-21	136,265
Thereafter	2,904,967
	$ 3,567,592
Less amount representing interest	(1,487,414)
Total NPV of capital payments at scheduled completion date	$ 2,080,178

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 10 LIABILITY FOR CONTAMINATED SITES
(in thousands)

The composition of liabilities is as follows:

	2016	2015
Liabilities, Beginning of Year	$ 3,405	$ 3,536
Additions to Liabilities during the Year	137	184
Change in estimate related to existing sites	19	(2)
Remediation work performed	0	(313)
Liabilities, End of Year	$ 3,561	$ 3,405

The recorded amount is based on management's estimates and historical costs to remediate or reclaim sites as well as expected expenditures on future reclamation activity.

The department has compiled a list of all potential sites and reviews the list at least annually. The site remediation and reclamation liability is recorded when the sites are no longer in operation and where remediation is legally enforceable.

NOTE 11 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2016	2015
Capital Investment		
Construction Contracts and Service Agreements	$ 909,113	$ 899,144
Expense		
Maintenance Contracts and Service Agreements	604,985	801,545
Grants	813,628	438,527
Obligations under public private partnerships		
Operation and maintenance payments	3,230,413	3,408,608
Progress Payments	95,814	271,165
Capital Payments	78,366	221,791
	$ 5,732,319	$ 6,040,780

NOTE 11 CONTRACTUAL OBLIGATIONS (continued)

(in thousands)

Estimated payment requirements for each of the next five years and thereafter as follows:

	Capital Payments	Expense	
	Construction Contracts and Service Agreements	**Maintenance Contracts and Service Agreements**	**Grants**
2016-17	$ 716,226	$ 210,952	$ 283,403
2017-18	161,445	101,690	303,443
2018-19	15,214	67,395	226,782
2019-20	8,780	64,626	-
2020-21	4,111	64,436	-
Thereafter	3,337	95,886	-
	$ 909,113	$ 604,985	$ 813,628

	Operation, Maintenance and Rehabilitation Payments	Progress Payments	Capital Payments
2016-17	$ 61,539	$ 95,814	2,161
2017-18	72,134	-	4,322
2018-19	78,695	-	4,322
2019-20	74,515	-	4,322
2020-21	77,618	-	4,322
Thereafter	2,865,912	-	110,222
	$ 3,230,413	$ 95,814	$ 129,671
Less amount representing interest			(51,305)
Total NPV of capital payments at scheduled completion date			$ 78,366

NOTE 12 CONTINGENT LIABILITIES

(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities. Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2016 accruals totaling $31,772 (2015 - $23,512) have been recorded as a liability. The total amount claimed for all likely claims is $205,431 (2015 - $167,387). Included in the total likely claims are claims in which the department has been jointly named with other departments. The accrual provided for these claims represents the department's portion of the liability. Included in the total likely claims are claims covered in whole or in part by the Alberta Risk Management Fund. The resulting additional liability, if any, from likely claims in excess of the amounts accrued is not determinable.

The department has been named in one hundred and seven (2015 – one hundred) claims of which the outcome is not determinable. Of these claims, ninety-seven (2015 – eighty-one) have specified amounts totaling $5,653,710 (2015 – $5,559,086). The remaining ten (2015 – nineteen) claims have no amounts specified. Included in the total claims, forty-two claims totaling $58,384 (2015 – thirty-nine claims totaling $52,774) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 13 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

At March 31, 2016 trust funds under the administration were as follows:

	2016	2015
Impaired Driving Initiatives Trust Fund	$ 654	$ 607
	$ 654	$ 607

The Impaired Driving Initiatives Trust Fund holds fines from individuals convicted of impaired driving. Trust funds are used for education programs.

NOTE 14 PAYMENTS UNDER AGREEMENT

(in thousands)

The department has entered into agreements to deliver programs and services that are partly funded by the Government of Canada, the Kananaskis Improvement District and private companies. Costs incurred under these agreements are made by the department under authority in Section 25 of the *Financial Administration Act*.

Amounts paid and payable under agreements with program sponsors are as follows:

	2016	2015
Japan Canada Oil Sands Limited (program sponsor) Roadway construction	$ 5,340	$ 4,241
Kananaskis Improvement District (program sponsor) Roadway maintenance	73	73
	$ 5,413	$ 4,314

NOTE 15 BENEFIT PLANS

(in thousands)

The department participates in the multi-employer pension plans: Management Employee Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense of these pension plans is equivalent to the annual contributions of $9,928 for the year ended March 31, 2016 (2015 - $9,129). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2015, the Management Employees Pension Plan reported a surplus of $299,051 (2014 - surplus $75,805) and the Public Service Pension Plan reported a deficiency of $133,188 (2014 - deficiency $803,299) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $16,305 (2014 - deficiency $17,203).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2016, the Bargaining Unit Plan reported an actuarial surplus of $83,006 (2015 – surplus $86,888) and the Management, Opted Out and Excluded Plan an actuarial surplus of $29,246 (2015– surplus $32,343). The expense for these two plans is limited to the employer's annual contributions for the year.

DEPARTMENT OF TRANSPORTATION
NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
MARCH 31, 2016

NOTE 16 SUBSEQUENT EVENT

In May 2016, wildfires seriously affected Fort McMurray and surrounding communities. The government is in the process of providing financial assistance for uninsurable loss and damage through its Disaster Recovery Programs (DRP). The DRP is administered and funded by Alberta Emergency Management Agency through the authority of the Disaster Recovery Regulation.

The Province, subject to certain criteria, may recover part of the above costs from the federal government through the Disaster Financial Assistance Arrangement, pending approval through its Order in Council.

The financial impact on the government department may be significant but is uncertain at this stage.

NOTE 17 COMPARATIVE FIGURES

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

NOTE 18 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the senior financial officer and the deputy minister.

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
Year ended March 31, 2016

Schedule 1

	2016		2015
	Budget	**Actual**	**Actual**
		(in thousands)	
Government Transfers - Federal Grants			
Building Canada - Base Component	7,397	7,397	7,397
Building Canada - Major Infrastructure Component	4,868	4,673	4,669
Canadian Strategic Infrastructure Fund	5,995	5,995	5,585
Infrastructure Stimulus Fund	4,221	4,221	4,221
Asia Pacific Gateway	-	750	-
Other	1,176	53	2,047
	23,657	23,089	23,919
Premiums, Fees and Licenses			
Motor Transport Services & Other Premiums	33,900	28,714	34,014
Other Revenue			
Refunds of Expenditure	1,475	4,467	6,272
Tourism Highway Signage Initiative	1,000	501	649
Cost Recoveries	5,000	8,716	9,819
Contributions	22,639	15,262	2,114
Donated Tangible Capital Assets	2,436	2,353	2,349
Gain from Disposals of Tangible Capital Assets	-	1,705	78
Miscellaneous	3,145	5,909	5,975
	35,695	38,913	27,256
	$ 93,252	$ 90,716	$ 85,189

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
CREDIT OR RECOVERY
Year ended March 31, 2016

Schedule 2

	2016				
	Authorized	Actual Revenue Recognized	Deferred Revenue	Actual Cash/ Donation Received/ Receivable	(Shortfall)/ Excess
			(in thousands)		
Operational					
Motor Transport Permits and Licences	8,800	6,318	-	6,318	(2,482)
National Safety Code	426	-	-	-	(426)
Bridge Maintenance	20	20	-	20	-
	$ 9,246	$ 6,338	$ -	$ 6,338	$ (2,908) (1)
Capital - Voted					
Provincial Highway Systems	18,200	3,129	21,490	16,129	(2,071)
Water Management Infrastructure	455	-	203	203	(252)
Tourism Highway Signage Initiative	1,000	501	-	501	(499)
	$ 19,655	$ 3,630	$ 21,693	$ 16,833	$ (2,822) (1)

(1) Shortfall is deducted from current year's authorized spending, as disclosed in Schedule 4 to the financial statements.

Motor Transport Permits and Licences

A portion of the revenue for Motor Transport Permits and Licenses has been allocated to credit or recovery. This revenue partially offsets expenditures made to accommodate Alberta's increasing traffic volumes.

National Safety Code

The National Safety Code is a joint agreement between the Federal Government and the Province to ensure the safety of the public by placing standards on drivers of buses and freight trucks across the country. The Federal Government has agreed to pay $420 per year for 6 years beginning in 2009-10 and terminating in 2014-15.

Bridge Maintenance

Canadian Forest Products Ltd. has a 10-year agreement which began in 2007-08 whereby it makes regular contributions towards the maintenance of the Dunvegan Bridge by providing $200 of funding over 10 years beginning in 2007-2008.

Provincial Highway Systems

Various agreements exist whereby the private sector and municipalities make contributions towards capital investments in new roads, bridges, interchanges and vehicle inspection station equipment in the province.

Water Management Infrastructure

The Special Areas Water Supple Project will provide a reliable, good quality water supply from the Red Deer River to the Special Areas region in east central Alberta and parts of the Counties of Stettler and Paintearth. The Special Areas Water Board is contributing $1.8 million for an Environmental Impact Assessment to be completed over three years ending in 2016-17.

Tourism Highway Signage Initiative

The private sector contributes towards new investments in tourism related signs and structures in the province.

The above credits or recoveries are included in the Statement of Operations.

DEPARTMENT OF TRANSPORTATION

Schedule 3

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2016

	2016		2015
	Budget	Actual	Actual
		(in thousands)	
Salaries, Wages and Employee Benefits	$ 75,596	$ 70,972	$ 66,513
Supplies and Services	419,781	404,460	467,628
Grants	279,807	288,182	373,142
Financial Transactions and Other	75,351	73,612	78,509
Amortization of Tangible Capital Assets and Consumption of Inventory	529,831	517,055	510,505
	$ 1,380,366	$ 1,354,281	$ 1,496,297

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2016

Schedule 4

	Voted Estimates [1]	Supplementary Estimate	Adjustments [2]	Adjusted Voted Estimates	Actuals [3]	Unexpended (Over Expended)
			(in thousands)			
Program - Operating Expense						
1 Ministry Support Services						
1.1 Minister's Office	$ 783	$ -	$ -	$ 783	$ 744	$ 39
1.2 Deputy Minister's Office	776	-	-	776	751	25
1.3 Communications	1,248	-	-	1,248	1,214	34
1.4 Strategic Services	29,530	-	-	29,530	28,658	872
	32,337	-	-	32,337	31,367	970
2 Program Services and Support	31,202	-	-	31,202	28,287	2,915
3 Traffic Safety Services	36,578	-	-	36,578	32,816	3,762
4 Grant to Alberta Transportation Safety Board	2,360	-	-	2,360	2,360	-
5 Provincial Highway Maintenance and Preservation						
5.1 Maintenance	268,270	-	-	268,270	270,306	(2,036)
5.2 P3 Maintenance	57,599	-	-	57,599	58,706	(1,107)
5.3 Preservation	44,552	-	-	44,552	28,200	16,352
5.4 Assessment and Support Systems	30,796	-	-	30,796	29,104	1,692
	401,217	-	-	401,217	386,316	14,901
6 Capital for Emergent Projects	300	-	(200)	100	100	-
7 Municipal Transportation Grant Programs						
7.1 Alberta Municipal Infrastructure Program	112	-	-	112	-	112
7.2 Strategic Transportation Infrastructure Program	18,720	-	-	18,720	5,412	13,308
7.3 Green Transit Incentives Program (GreenTRIP)	166,168	-	-	166,168	185,064	(18,896)
7.4 Municipal Transit Initiatives	30,000	-	-	30,000	30,000	-
	215,000	-	-	215,000	220,476	(5,476)
8 Municipal Water Infrastructure Grant Programs						
8.1 Municipal Water Wastewater Program	25,000	-	-	25,000	25,259	(259)
8.2 Water for Life	30,000	-	-	30,000	36,305	(6,305)
	55,000	-	-	55,000	61,564	(6,564)
9 Ring Roads						
9.3 Debt Servicing	70,741	-	-	70,741	70,741	-

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2016

Schedule 4

	Voted Estimates [1]	Supplementary Estimate	Adjustments [2]	Adjusted Voted Estimates	Actuals [3]	Unexpended (Over Expended)
			(in thousands)			
15 2013 Alberta Flooding						
15.2 Water and Wastewater Infrastructure Recovery	5,800	-	-	5,800	2,500	3,300
Credit or Recovery Shortfall (Schedule 2)	-	-	(2,908)	(2,908)	-	(2,908)
Total	$ 850,535	$ -	$ (3,108)	$ 847,427	$ 836,527	$ 10,900
Lapse/(Encumbrance)						**$ 10,900**

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2016

Schedule 4

	Voted Estimates [(1)]	Supplementary Estimate	Adjustments [(2)]	Adjusted Voted Estimates	Actuals [(3)]	Unexpended (Over Expended)
			(in thousands)			
Program - Capital						
1 Ministry Support Services						
1.4 Strategic Services	5,622	-	-	5,622	3,782	1,840
6 Capital for Emergent Projects	6,110	-	200	6,310	4,607	1,703
9 Ring Roads						
9.1 Edmonton Ring Road	166,965	-	-	166,965	223,683	(56,718)
9.2 Calgary Ring Road	412,519	-	-	412,519	368,783	43,736
	579,484	-	-	579,484	592,466	(12,982)
10 Northeast Alberta Strategic Projects						
10.1 Highway 63 Twinning	207,439	-	-	207,439	238,953	(31,514)
10.2 Fort McMurray Urban Area Upgrades	75,817	-	-	75,817	52,946	22,871
	283,256	-	-	283,256	291,899	(8,643)
11 Provincial Highway Construction Projects						
11.1 Highway Twinning, Widening and Expansion	181,814	-	-	181,814	128,603	53,211
11.2 Interchanges, Intersections and Safety Upgrades	114,573	-	-	114,573	93,676	20,897
	296,387	-	-	296,387	222,279	74,108
12 Bridge Construction Projects	36,414	-	-	36,414	29,218	7,196
13 Provincial Highway Rehabilitation						
13.1 Highway Rehabilitation Projects	308,145	-	-	308,145	276,293	31,852
13.2 P3 Rehabilitation	1,556	-	-	1,556	1,366	190
	309,701	-	-	309,701	277,659	32,042
14 Water Management Infrastructure	20,500	-	-	20,500	10,465	10,035
15 2013 Alberta Flooding	-	-	-	-	-	-
15.1 Highways and Bridges Infrastructure Recovery	43,948	-	-	43,948	14,110	29,838
15.2 Water and Wastewater Infrastructure Recovery	34,989	-	-	34,989	42,237	(7,248)
	78,937	-	-	78,937	56,347	22,590
Credit or Recovery Shortfall (Schedule 2)	-	-	(2,822)	(2,822)	-	(2,822)
Total	$ 1,616,411	$ -	$ (2,622)	$ 1,613,789	$ 1,488,722	$ 125,067
Lapse/(Encumbrance)						**$ 125,067**

Schedule 4

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2016

	Voted Estimates (1)	Supplementary Estimate	Adjustments (2)	Adjusted Voted Estimates	Actuals (3)	Unexpended (Over Expended)
			(in thousands)			
Financial Transactions						
5 Provincial Highway Maintenance and Preservation						
5.5 Salt, Sand and Gravel	50,000	-	(105)	49,895	44,043	5,852
9 Ring Roads						
9.3 Debt Repayment	28,124	-	-	28,124	28,124	-
Total	$ 78,124	$ -	$ (105)	$ 78,019	$ 72,167	$ 5,852
Lapse/(Encumbrance)						$ 5,852

(1) As per "Expense Vote by Program", "Capital Investment Vote by Program" and "Financial Transactions Vote by Program" pages 234-236 of 2015-16 Government Estimates

(2) Adjustments include encumbrances, capital carry forward amounts, transfers between votes, and credit or recovery increases approved by Treasury Board, and credit or recovery shortfalls. An encumbrance is incurred when, on a vote by vote basis, the total of actual disbursements in the prior year exceed the total adjusted estimate. All calculated encumbrances from the prior year are reflected as an adjustment to reduce the corresponding Voted Estimate in the current year.

(3) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
LOTTERY FUND ESTIMATES
Year ended March 31, 2016

Schedule 5

	2015-16 Lottery Fund Estimates	2015-16 Actual	*Unexpended (Over Expended)*
		(in thousands)	
Provincial Highway Preservation	$ 40,000	$ 28,200	$ 11,800
	$ 40,000	$ 28,200	$ 11,800

This table shows details of the initiatives within the Department that are funded by the Lottery Fund and compares it to the actual results.

DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year Ended March 31, 2016

Schedule 6

	2016				2015
	Base Salary[1]	Other Cash Benefits[2]	Other Non-cash Benefits[3]	Total	Total
Deputy Minister [4] [5]	$ 290,227	$ -	$ 74,552	$ 364,779	$511,700
Assistant Deputy Ministers					
Safety, Policy and Engineering	203,454	15,416	53,962	272,832	261,897
Delivery Services	201,665	-	50,913	252,578	239,029
Corporate Services and Information	190,383	150	51,002	241,535	220,990
Flood Recovery Task Force [6]	-	-	-	-	25,944
Executive Directors					
Finance [7]	137,919	-	35,719	173,638	44,323
Human Resources	139,265	-	39,038	178,303	170,537

(1) Base salary includes regular salary and earnings such as acting pay.

(2) Other cash benefits include vacation payouts, lump sum payments and milestone awards. There were no bonuses paid in 2016.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided to current incumbent, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals at different times during the year and changed on July 5, 2015.

(6) Position was deleted on May 3, 2014.

(7) The position was occupied by two individuals at different times during the year. Position was vacant from December 7, 2015 to January 31, 2016.

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2016
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry	
	2016	**2015**
Expenses - Directly Incurred		
Grant to Alberta Transportation Safety Board	$ 2,360	$ 2,472

	Other Entities	
	2016	**2015**
Expenses - Directly Incurred		
Business and Technology Services	$ 2,643	$ 2,771
SUCH[(1)] Sector Entities	614	323
Insurance	348	388
Air Maps and Photos	5	3
	$ 3,610	$ 3,485
Net Tangible Capital Assets Transferred	$ (30,027)	$ 7,270

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These expense amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry	
	2016	**2015**
Revenue		
Financial Services	$ 170	$ 170
Human Resources	112	112
Information Technology	103	103
	$ 385	$ 385

	Other Entities	
	2016	**2015**
Revenue		
Road/Bridge Maintenance	$ 3,479	$ 5,794
Expenses - Incurred by Others (Schedule 9)		
Accommodation	$ 8,336	$ 8,240
Air Transportation/Executive Vehicles	-	60
Business Services	4,642	4,614
Internal Audit	70	-
Legal Services	1,391	1,445
	$ 14,439	$ 14,359

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(1) SUCH - Schools, Universities, Colleges and Hospitals

DEPARTMENT OF TRANSPORTATION
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2016
(in thousands)

Schedule 8

	2016					2015
		Expenses - Incurred by Others				
Program	**Expenses (1)**	**Accommodation Costs (2)**	**Business Services (3)**	**Legal Services (4)**	**Total Expenses**	**Total Expenses**
Ministry Support Services	$ 31,586	$ 1,569	$ 4,712	$ 260	$ 38,127	$ 38,949
Program Services and Support	$ 28,562	4,149	-	232	32,943	28,846
Traffic Safety Services	$ 32,434	2,618	-	900	35,952	34,999
Grant to Alberta Transportation Safety Board	$ 2,360	-	-	-	2,360	2,472
Provincial Highway Maintenance and Preservation	$ 903,958	-	-	-	903,958	962,816
Northeast Alberta Strategic Projects	$ -	-	-	-	-	61,653
Capital for Emergent Projects Grant Programs	$ 100	-	-	-	100	6,600
Municipal Transportation Grant Programs	$ 220,476	-	-	-	220,476	213,818
Municipal Water Infrastructure Grant Programs	$ 61,564	-	-	-	61,564	82,084
2013 Alberta Flooding: Non Disaster Recovery Program	$ 2,500	-	-	-	2,500	6,497
Debt Servicing	$ 70,741	-	-	-	70,741	71,922
	$ 1,354,281	$ 8,336	$ 4,712	$ 1,392	$ 1,368,721	$ 1,510,656

(1) Expenses - Directly Incurred as per Statement of Operations.
(2) Cost shown for Accommodation (includes grants in lieu of taxes) on Schedule 7, allocated by number of employees in program.
(3) Costs shown for Business Services include charges for financial and information technology support, internal audit and vehicles and air transportation.
(4) Cost shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

Alberta Transportation Safety Board Financial Statements

For the year ended March 31, 2016

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Independent Auditor's Report

To the Chair of Alberta Transportation Safety Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Transportation Safety Board, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Transportation Safety Board as at March 31, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

May 30, 2016

Edmonton, Alberta

ALBERTA TRANSPORTATION SAFETY BOARD
STATEMENT OF OPERATIONS
Year ended March 31, 2016

	2016		2015
	Budget	Actual	Actual
		(in thousands)	
Revenues			
Transfer from Department of Transportation	$ 2,360	$ 2,360	$ 2,472
Expenses			
Administration	1,606	1,314	1,180
Community Board Members	754	367	429
	2,360	1,681	1,609
Annual Surplus	$ -	$ 679	$ 863

The accompanying notes and schedules are part of these financial statements.

ALBERTA TRANSPORTATION SAFETY BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31, 2016

	2016	2015
	(in thousands)	
FINANCIAL ASSETS	$ -	$ -
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 158	$ 147
Net Debt	(158)	(147)
Net Liabilities	$ (158)	$ (147)
Net Liabilities		
Accumulated Net Liability (Note 7)	(158)	(147)
	$ (158)	$ (147)

Contractual obligations (Note 5)

The accompanying notes and schedules are part of these financial statements.

ALBERTA TRANSPORTATION SAFETY BOARD
STATEMENT OF CHANGE IN NET DEBT
Year ended March 31, 2016

	2016 Budget	2016 Actual	2015 Actual
		(in thousands)	
Annual Surplus	$ -	$ 679	$ 863
Net Financing Provided from Department of Transportation	-	(690)	(840)
(Increase)/Decrease in Net Financial Assets (Liabilities)		(11)	24
(Net Debt), Beginning of Year		(147)	(171)
(Net Debt), End of Year	$	$ (158)	$ (147)

The accompanying notes and schedules are part of these financial statements.

ALBERTA TRANSPORTATION SAFETY BOARD
STATEMENT OF CASH FLOWS
As at March 31, 2016

	2016	2015
	(in thousands)	
Operating Transactions		
Annual Surplus	$ 679	$ 863
Non-cash items:		
Valuation Adjustments	(15)	5
	664	868
Increase (Decrease) in Accounts Payable and Accrued Liabilities	26	(29)
Cash Provided by Operating Transactions	690	839
Financing Transactions		
Net Financing Provided from Department of Transportation	(690)	(839)
Cash Applied to Financing Transactions	(690)	(839)
Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	$ -	$ -

The accompanying notes and schedules are part of these financial statements.

ALBERTA TRANSPORTATION SAFETY BOARD
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Transportation Safety Board (Board) is a Provincial Agency established in 2003 pursuant to Section 22 of the *Traffic Safety Act*.

The Alberta Transportation Safety Board:

- Conducts driver review hearings and independent appeals of driver, vehicle and safety decisions from the Registrar of Motor Vehicle Services in accordance with the principles of natural justice.
- Conducts hearings under the *Railway (Alberta) Act*.

All decisions of the Alberta Transportation Safety Board are made independently in accordance with governing legislation: the *Traffic Safety Act* and the *Railway (Alberta) Act*.

The Board is exempt from income taxes under the *Income Tax Act*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards (PSAS).

(a) Reporting Entity

The reporting entity is Alberta Transportation Safety Board, which is part of the Ministry of Transportation and for which the Minister of Transportation is accountable. The other entity reporting to the Minister is the Department of Transportation. The activities of the Department are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from general revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the eligibility criteria for use of the transfer, or the stipulations together with the Board's actions and communications as to the use of transfers create a liability.

All other government transfers, without stipulations for the user of the transfer, are recorded as revenue when the Board is eligible to receive the funds.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Directly Incurred

Directly incurred expenses are those costs the Board has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by related other entities in support of the Board operations are not recognized and are disclosed in Schedule 3.

Assets

Financial assets are the Board's financial claims on external organizations and individuals.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities represent present obligations of the Board to external organizations and individuals arising from transactions or events occurring before year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:
- all financial claims payable by the Board at the year end.
- accrued employee vacation entitlements.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts payable, and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or costs to estimate the fair value with sufficient reliability.

Statement of Remeasurement Gains and Losses

As Alberta Transportation Safety Board does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no re-measurement gains and losses and therefore a statement of re-measurement gains and losses has not been presented.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(c) Change in Accounting Policy

Adoption of the Net Debt Model

The net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net debt is measured as the difference between Alberta Transportation Safety Board's financial assets and liabilities.

A net debt balance indicates the extent of the Board's dependence on net assets from government transfers and operating revenues in order to settle its liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding the Statement of Change in Net Debt.

NOTE 3 FUTURE ACCOUNTING CHANGES

In June 2015 the Public Sector Accounting Board issued these following accounting standards:

- **PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)**
  PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the financial statements.

- **PS 3430 Restructuring Transactions (effective April 1, 2018)**
  This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and / or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the financial statements.

NOTE 4 BUDGET

(in thousands)

A preliminary business plan with a budgeted surplus of $0 was approved by the Chair of Alberta Transportation Safety Board on March 12, 2015 and the full financial plan was submitted to the Minister of Transportation. The budget reported in the statement of operations reflects the original 2016 annual surplus and additional reclassifications required for more consistent presentation with current and prior year results.

NOTE 5 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Board to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2016	2015
Contracts: 2016-17	-	25
	$ -	$ 25

NOTE 6 BENEFIT PLANS

(in thousands)

The Board participates in the multi-employer pension plans: Management Employee Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense of these pension plans is equivalent to the annual contributions of $119 for the year ended March 31, 2016 (2015 - $86). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2015, the Management Employees Pension Plan reported a surplus of $299,051 (2014 - surplus $75,805) and the Public Service Pension Plan reported a deficiency of $133,188 (2014 - deficiency $803,299) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $16,305 (2014 - deficiency $17,203).

The Board also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2016, the Bargaining Unit Plan reported an actuarial surplus of $83,006 (2015 – surplus $86,888) and the Management, Opted Out and Excluded Plan an actuarial surplus of $29,246 (2015 – surplus $32,343). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 7 ACCUMULATED NET LIABILITIES

Accumulated net liabilities are comprised of the following:

	2016	2015
Balance April 1, 2015	$ (147)	$ (171)
Annual Surplus	679	863
Net Financing Provided from Department of Transportation	(690)	(839)
Balance March 31, 2016	$ (158)	$ (147)

NOTE 8 SUBSEQUENT EVENT

In May 2016, wildfires seriously affected Fort McMurray and surrounding communities. The government is in the process of providing financial assistance for uninsurable loss and damage through its Disaster Recovery Programs (DRP). The DRP is administered and funded by Alberta Emergency Management Agency through the authority of the Disaster Recovery Regulation.

The Province, subject to certain criteria, may recover part of the above costs from the federal government through the Disaster Financial Assistance Arrangement, pending approval through its Order in Council.

The financial impact on the government entity may be significant but is uncertain at this stage.

NOTE 9 COMPARATIVE FIGURES

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the senior financial officer and the Chair, Alberta Transportation Safety Board.

ALBERTA TRANSPORTATION SAFETY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
Year ended March 31, 2016

Schedule 1

	2016		2015
	Budget	Actual	Actual
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 1,144	$ 1,033	$ 934
Supplies and Services	1,216	648	675
	$ 2,360	$ 1,681	$ 1,609

Schedule 2

ALBERTA TRANSPORTATION SAFETY BOARD
SCHEDULES TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year Ended March 31, 2016

	2016				2015
	Base Salary(1)	Other Cash Benefits(2)	Other Non-cash Benefits(3)	Total	Total
Chair, Alberta Transportation Safety Board	$ 195,338	$ -	$ 55,798	$ 251,136	$ 190,935

(1) Base salary includes regular salary and earnings such as acting pay.
(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2016.
(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

Schedule 3

ALBERTA TRANSPORTATION SAFETY BOARD
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2016
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Board.

The Board and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Board had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry	
	2016	**2015**
Revenue		
Grant from Department of Transportation	$ 2,360	$ 2,472

The Board also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These expense amounts are not recorded in the financial statements but are disclosed in Schedule 4.

	Entities in the Ministry	
	2016	**2015**
Expenses - Incurred by Department of Transportation (Schedule 4)		
Financial Services	$ 170	$ 170
Human Resources	112	112
Information Technology	103	103
	$ 385	$ 385

	Other Entities	
	2016	**2015**
Expenses - Incurred by Other Entity (Schedule 4)		
Accommodation	$ 98	$ 105
Legal Services	6	3
	$ 104	$ 108

ALBERTA TRANSPORTATION SAFETY BOARD
SCHEDULES TO FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2016
(in thousands)

Schedule 4

	2016					2015
		Expenses - Incurred by Others				
Program	Expenses [1]	Business Services [2]	Accommodation	Legal Services	Total Expenses	Total Expenses
Administration	$ 1,314	$ 385	$ 98	$ 6	$ 1,803	$ 1,673
Community Board Members	367	-	-	-	367	429
	$ 1,681	$ 385	$ 98	$ 6	$ 2,170	$ 2,102

(1) Expenses - Directly Incurred as per Statement of Operations.

(2) Costs shown for Business Services include charges for Financial Services, Human Resources, and Information Technology.

ANNUAL REPORT
EXTRACTS AND OTHER
STATUTORY REPORTS

2015-16 TRANSPORTATION ANNUAL

Statutory Report: ***Public Interest Disclosure (Whistleblower Protection) Act***

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* requires the Ministry to report annually on the following parts of the Act:

32 (1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

(2) The report under subsection (1) must include the following information:

(a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;

(b) the number of investigations commenced by the designated officer as a result of disclosures;

(c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

(3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available on request.

There were no disclosures of wrongdoing filed with the Public Interest Disclosure Office for Alberta Transportation between April 1, 2015 and March 31, 2016.

2015-16 TRANSPORTATION ANNUAL

For a PDF of this annual report, visit the Government of Alberta website:
www.transportation.alberta.ca/Content/Publications/production/AnnualReport2015-16.pdf

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